Austria	[illegible]	Iran	[illegible]	Philippines	[illegible]
Bahrain	[illegible]	Israel	[illegible]	Portugal	[illegible]
Belgium	[illegible]	Italy	[illegible]	Qatar	[illegible]
Canada	[illegible]	Japan	[illegible]	S.Arabia	[illegible]
Cyprus	[illegible]	Jordan	[illegible]	Singapore	[illegible]
Denmark	[illegible]	Korea	[illegible]	S.Africa	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Spain	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Sri Lanka	[illegible]
France	[illegible]	Lux	[illegible]	Sweden	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Switz	[illegible]
Greece	[illegible]	Mexico	[illegible]	Taiwan	[illegible]
Hong Kong	[illegible]	Morocco	[illegible]	Thailand	[illegible]
Iceland	[illegible]	Neth	[illegible]	Tunisia	[illegible]
India	[illegible]	Nigeria	[illegible]	Turkey	[illegible]
Indonesia	[illegible]	Norway	[illegible]	UAE	[illegible]
		Oman	[illegible]	USA	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,745 — Tuesday January 17 1989 — D 8523A

JAPAN
The post-war machine falters
Page 17

World News

W German group named in chemical plant affair

Bonn faces further embarrassment over the role of West German companies in building the suspected Libyan chemical weapons plant following press allegations that Salzgitter, state-owned steel and engineering group, drew up the plans for the plant. Page 2

BA bomb threat
A bomb threat forced a British Airways jumbo jet carrying 340 passengers to land at a northern Japanese airfield, but officials failed to find any explosives, airport officials and police said.

Kremlin slowdown
Price reform in the Soviet Union is inevitable and essential, but hostile public opinion has forced the Government to slow down the process, a top Soviet planning official said. Page 2

Guildford 4 review
The convictions of four people arising from the IRA pub bombings at Guildford, south of London, and Woolwich in the capital's south east, 1974 are to be referred to the Court of Appeal for the second time. Page 8

ANC members jailed
Three members of the African National Congress, South African guerrilla group, including one of the most senior ANC leaders tried in 25 years, were sentenced to lengthy prison terms for treason and terrorism. Page 3

SA bans extremists
Adriaan Vlok, South African Law and Order Minister, banned the extreme right-wing White Nationalist Movement, from "carrying on or performing any activities or acts whatsoever."

Party discipline
More than 3,500 Communist Party members and government officials have been disciplined over ethnic unrest in Soviet Azerbaijan, Tass news agency said.

Jaruzelski plea
General Wojciech Jaruzelski, Polish Communist leader, speaking to the Central Committee, urged a deal with the moderate opposition.

Gandhi faces defeat
A public opinion poll suggests that Rajiv Gandhi, Indian Prime Minister, could suffer an unexpectedly large defeat in state elections in the southern state of Tamil Nadu at the end of the week. Page 4

Antarctic 'breach'
Greenpeace protesters who occupied a French Antarctic base to protest at the building of an airstrip, said that scientists there had admitted breaching some terms of the Antarctic Treaty governing construction in environmental areas.

UK, China air talks
Aviation officials from China and Britain began talks on air links, with services to Hong Kong from the mainland believed high on the agenda.

Pakistan AIDS move
Pakistan will set up AIDS testing centres and foreigners will need certificates to prove they are free of the virus, the official Associated Press of Pakistan news agency said.

Business Summary

Nigeria eases curbs on foreign investment

Nigeria has eased restrictions on foreign investment, in a move designed to boost the country's privatisation programme, speed up a debt-conversion scheme and reinforce the role of the private sector in the economy. Page 18

CHRIS BALL, head of First National Bank, South Africa's largest, resigned suddenly to join an unnamed European financial group. He is the latest of several chief executives to leave the country in the past two years. Page 19

GENERAL Electric Company of the UK indicated it was considering an improved offer for British Rail Engineering. Page 7; GEC and Plessey, Page 19

RETAIL SALES: Signs that high British interest rates have begun to hit consumer spending were provided by official figures showing a dip in retail sales for December. PAGE 7

ALAN BOND, Perth entrepreneur, is close to achieving his dream of a single "super pit" – likely to be visible from the moon – to mine what is left of Kalgoorlie's historic Golden Mile deposit in Western Australia. Page 21

COASTAL, aggressive Houston-based gas transmission company, said yesterday it would offer $2.6bn or $42 a share for its cross-town rival, Texas Eastern, which operates a big gas network in the north-eastern US. Page 19

PAINEWEBBER, US-based securities firm, is pulling out of the Eurobond market, becoming the third US firm to do so in a little more than a month. Page 24

EUROPEAN COMMISSION announced that it has launched an investigation into claims that audio-cassettes and audio-cassette tapes from Japan, South Korea, and Hong Kong are being unfairly dumped in the European market. Page 6

FMC, US manufacturer of military equipment, secured a $550m contract to supply the Saudi Arabian army with 200 Bradley infantry fighting vehicles. Page 6

PARIS BOURSE: A strike by employees and a bomb threat stopped trading in leading French stocks. Page 2

SEARS ROEBUCK of the US is holding talks with Seibu Saison Group, Tokyo-based retailer, about opening a chain of children's speciality stores in Japan. Page 21

BEECHAM, pharmaceutical and consumer products firm, has become the first UK borrower to use the emerging market in so-called paperless securities in Switzerland. Page 24

GATT is to investigate Sweden's complaint against US anti-dumping duties on imports of stainless steel pipes and tubes. Page 6

LOT, Poland's state-owned airline, is raising $160m from Western commercial banks, the country's first long-term loan from the private sector since 1980. Page 6

AUSTRIA'S central bank plans to lift several restrictions on currency transactions in a move aimed to bring the country's institutions closer into line with European norms. Page 24

FINLAND has promised subsidies of "more than 10 per cent" to the country's ailing shipbuilding industry, which plans to merge all three existing companies into one group. Page 2

Western anger over Czech, E German crackdowns

By Robert Mauthner and Judy Dempsey in Vienna

WESTERN foreign ministers are today expected to criticise sharply the Czechoslovak and East German governments for their tough action against demonstrators on Sunday, the very day that they gave approval to a far-reaching international document on human rights.

Ministers from 35 Western and Eastern countries are due formally to approve what all sides describe as the most ambitious charter for the respect of political and religious freedom, the right to emigrate and travel and the free exchange of information, since the adoption of the Helsinki Final Act in 1975.

Mr George Shultz, the US Secretary of State, and Sir Geoffrey Howe, the British Foreign Secretary, are expected to be in the vanguard of ministers criticising the Czechoslovak authorities for the harsh manner in which they tried to suppress a rally of an estimated 5,000 people commemorating the death 20 years ago of Jan Palach, a student who set alight to himself in protest at the Soviet invasion of Czechoslovakia.

The ministers are also likely to criticise the detentions over the weekend of at least 90 East German civil rights activists, most of whom were released yesterday.

Western delegates attending the three-day closing session here of the follow-up Conference on Security and Co-operation in Europe are angry at what they consider to be the cynical way in which the Czechoslovak and East German governments have behaved over human rights.

Romania, which is widely considered to have one of the worst human rights records, has already made it clear that it feels under no obligation to implement those provisions with which it does not agree and which it considers inadequate. This attitude has been described by Mr Warren Zimmerman, the chief US delegate, as "illegal and absurd."

The US has made it clear that countries which fail to implement their undertakings on human rights will be made to "pay a price," possibly in the form of economic sanctions.

Veiled criticism has also been expressed by some delegates of the US for being in a hurry to conclude the conference. Mr Shultz is reported to have been anxious that the Vienna meeting should be brought to a conclusion before the end of the Reagan Administration.

● Hundreds of riot police and water cannon moved into Prague's Wenceslas square yesterday for the second day running as human rights activists attempted to lay flowers at the site where Palach set himself on fire.

Olive branch for Solidarity, Page 2

Ford to move Sierra assembly as part of shake-up in Europe

By Kevin Done and Charles Leadbeater in London

FORD is to end production in Britain of its Sierra medium-sized car as part of the company's far-reaching reorganisation of its European production facilities aimed at increasing capacity and improving efficiency.

Car assembly at Dagenham, in south-east England, will now be limited to production of the Fiesta, Ford's small car, with the loss of around 500 jobs. However, the company plans to increase capacity elsewhere in Europe, most importantly at Genk in Belgium, but also at its assembly plants at Halewood, Merseyside in the UK, Valencia in Spain and Cologne in West Germany.

Assembly of the Sierra, which is currently divided between Genk and Dagenham, will be concentrated at the Belgian plant, which has achieved higher levels of productivity and quality than Dagenham.

Ford is currently preparing for the launch in April of the new generation Ford Fiesta. It said yesterday that the present Dagenham capacity for producing 1,104 cars a day would be maintained, but production would gradually be switched solely to the Fiesta.

Production of the Sierra hatchback and estate car versions will be switched to Genk in August this year, while production of the saloon version will be switched to Genk in the summer of 1990.

The Genk plant is the big winner in the Ford reorganisation. The company said that around 2,000 new jobs will eventually be created at the Belgian plant, where car output is likely to rise by more than a third by the early 1990s.

Incentives offered to boost sales

Britain's big car makers have started offering volume-related financial incentives to their dealers, a practice not seen since the retail 'car wars' of several years ago. The move is an attempt to increase sales early in a year when sales are expected to decline. Page 7

Ford said that the realignment of its European production, needed to cope with increases and variations in demand expected from the move towards the single market in Europe, would be completed by 1993.

The job losses arise at Dagenham, because Ford is reducing the complexity of its assembly operations there with the move to a single model, despite the fact that it plans to keep production volumes unchanged.

In a letter to local employees, signed by Mr Jan Ubaghs, operations manager for the Dagenham body and assembly facilities, Ford said that Dagenham was still struggling to meet quality, volume and cost targets comparable to continental plant performance given the present complexity of building both Sierra and Fiesta ranges.

Ford union officials, who meet on Thursday to consider their response to the decision to transfer Sierra production, warned that it would lead to job losses and could have a catastrophic impact on the plant and its suppliers.

They are planning a mainly political campaign, highlighting the possible effects on the balance of payments, and components suppliers, in an effort to pressurise the company to reverse the decision.

Ford said that it was planning to invest some £105m ($184.8m) at Dagenham to expand Fiesta car and van production. The Fiesta panel van will be re-sourced from Valencia to Dagenham in the first half of 1990 and a new product, a high roof Fiesta van, will be introduced in 1991 and single-sourced from Dagenham.

At Halewood production of the Escort/Orion small family car range is to be increased by some 140 units a day from 1,060 to 1,200 with associated investment of some £15m.

Mr Bryan Gould, the Labour Party's trade and industry secretary and Member of Parliament for Dagenham, said the move to transfer Sierra production from Dagenham was "very bad and worrying news not only for my constituents, but also for the British motor industry and the manufacturing economy as a whole.

"It means that one of Britain's most successful cars will no longer be made in this country and that a further blow has been dealt to the British car industry's future," he said.

Last year Ford produced 325,328 Sierras at Genk and 100,006 at Dagenham along with 93,781 Fiestas at the UK plant.

Overall its European vehicle output totalled 1.792m compared with 1.652m in 1987, despite a two-week strike in February which closed all its production in the UK.

Analysis, Page 7

Reagan plans to ease oil company deals with Libya

By Andrew Gowers, Middle East Editor, in London

PRESIDENT Ronald Reagan plans this week to ease controls on American oil companies' business dealings with Libya in an effort to pre-empt possible seizure of their assets in the country.

The move, due to be announced in Washington either tomorrow or on Thursday, would allow five US oil companies to resume operations in Libya after an enforced absence of three years, probably through subsidiaries based outside the US.

It marks a significant softening of the comprehensive economic sanctions which President Reagan first imposed on Libya in 1986, and may arouse fierce political controversy in the US.

It will also complicate Washington's task in urging its Western allies to isolate Colonel Muammer Gadaffi, the Libyan leader, over his support for international terrorism.

But the outgoing Administration is likely to portray the move as a "technical" step with no effect on the economic sanctions, designed purely to prevent Col Gadaffi profiting from the seizure of American assets in Libya.

The five US companies – Conoco, Marathon, Occidental, W.R.Grace and Amerada Hess – enjoyed close and profitable relations with Libya through production-sharing agreements with the country's National Oil Corporation until 1986.

After sanctions were imposed, their Libyan assets, worth more than $2bn and possibly as much as $4bn, were frozen under a so-called "standstill agreement" with Tripoli.

The US companies have recently become concerned that the Libyan authorities might nationalise their assets when the accord expires in June on the grounds that they had breached their contracts. This week's expected move stems from a desire on the part of the State and Treasury Departments to protect the companies' position after that date.

However, it is not clear exactly how the Administration will proceed, and whether the Libyan authorities will allow the US companies to resume operations in the country under different conditions from those prevailing before 1986.

The companies have yet to discover:

● Whether the President will require them to operate through third-country subsidiaries rather than as US corporations. The Libyan authorities, keen to use the uncertainty over the companies' status as a bargaining chip with Washington, have already told them that this would not be acceptable.

● How they would be able to fund their resumed operations in Libya.

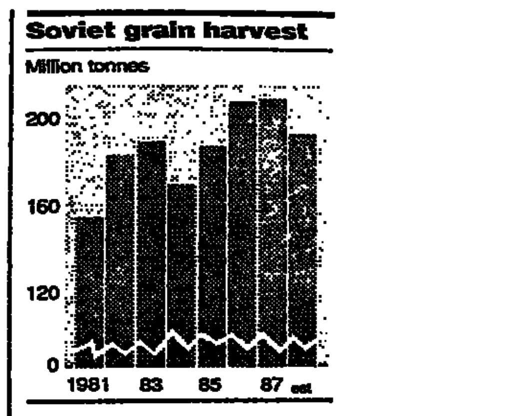
● Whether they would be able to pay Libya's NOC for any crude or products exported from the country. Last year, when a move to ease restrictions on the companies' activities was first discussed, the Administration is understood to have proposed that the proceeds from oil sales should be paid into an escrow account, but the Libyan Government insisted on receiving the revenues directly.

Such details will be discussed with the companies

Continued on Page 18

Salzgitter named in chemical plant affair, Page 2

Soviet grain harvest



Shortfall in harvest is setback for Gorbachev

By Our Correspondents in Moscow and the US

THE Soviet Union yesterday announced a preliminary figure of 195m tonnes for its 1988 grain harvest, 16m tonnes short of the previous year's production and a fresh blow to attempts by Mr Mikhail Gorbachev, the Soviet leader, to revive Soviet agriculture.

However, the level is still well above the average for the early years of the decade and suggests modest progress towards stabilising the big fluctuations in farm output.

The figure was announced yesterday by Mr Stepan Sitaryan, first vice chairman of Gosplan, the state planning committee, as an initial estimate. He gave no details of the quality or composition of the harvest.

Soviet officials have been warning for months that the figure would fall short of last year's 211.3m tonnes, although they still hoped to break the 200m-tonne barrier for the third year in succession. They have blamed drought in the Volga river basin and floods in the central Asian republics for the shortfall.

The disappointing figure explains the hectic activity of Soviet grain buyers in recent weeks, concluding deals with the US, the EC, Canada and Argentina.

The Soviet Union agreed to buy 4m tonnes each of wheat and corn (maize) annually, and 1m tonnes of other grain or oilseeds, in a roll-over of its purchase agreement with the US from last October. However it has already bought more than 10m tonnes of corn alone.

Over the past three years the Soviet Union has spent more than 30bn roubles ($48.3bn) on food imports, according to a report to the Council of Ministers on Saturday which stressed the continuing crisis in Soviet agriculture.

Mr Gorbachev has food pro-

Continued on Page 18

Stoltenberg and Bundesbank divided over D-Mark policy

By Andrew Fisher in Frankfurt

THE SHARP RISE in the dollar, which continued yesterday as the US currency exceeded DM1.85, has exposed a growing difference of opinion between West Germany's Bundesbank, the central bank, and the Finance Ministry over the economic and inflationary consequences of a weaker D-Mark.

Bundesbank officials made clear yesterday they were unhappy with remarks of Mr Gerhard Stoltenberg, the Finance Minister, who said last week in Washington that the dollar's recent rate of about DM1.80 was realistic and that no further tightening of German monetary policy was needed.

In recent weeks, the Bundesbank has said it aims to curb money supply growth this year and thus stop inflation – still low at under 2 per cent – from accelerating as the economy continues to expand.

Central bank officials in Frankfurt also suggest that a strong D-Mark is appropriate in view of mounting surpluses, especially with the rest of Western Europe. Germany's trade surplus with the EC has risen by 50 per cent in two years to DM75bn in 1988, noted Mr Nigel Rendell, an economist with UK stockbrokers James Capel.

Like other foreign economists, he felt the Bundesbank's inflationary concerns were exaggerated. But he saw a justification for an eventual rise in key German interest rates to reverse the weaker D-Mark, if this rose to DM1.90, and exert more control over the money supply. Mr Stoltenberg, however, may well be paying more attention to foreign, especially US and French, economic opinion, which feels that early German rate rises would force increases elsewhere.

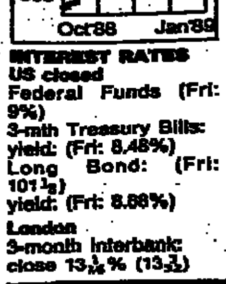
Bundesbank officials believe the continued economic growth, especially on the export side, contains the seeds of renewed inflation as companies bump against capacity limits. However, the faster-than-expected economic growth last year has also eased the budgetary worries of Mr Stoltenberg.

In Bonn yesterday, he said the federal budget deficit would be an estimated DM35.3bn ($19bn) for 1988; in July, the forecast was for DM39bn. This year, the official aim is for DM28bn, although Mr Stoltenberg said he hoped for less.

Helping federal finances this year will be a contribution from the Bundesbank of some DM10bn. Last year, the central bank profit was minimal after the dollar's sharp fall at the end of 1987 and the impact on reserves. Mr Stoltenberg said the Bundesbank profit would be used to pay past debts and not directly to cut the budget deficit.

MARKETS

Italy
Banca commerciale index



STERLING
New York lunchtime: $1.7605 (1.7655)
London: $1.7600 (1.7600)
DM3.2700 (3.2600)
FFr11.1400 (11.1150)
SFr2.7675 (2.7600)
Y225.75 (225.50)

DOLLAR
New York lunchtime: DM1.8560 (1.8445)
FFr6.3215 (6.2625)
SFr1.5845 (1.574)
Y128.10 (127.4)
London: DM1.8580 (1.8320)
FFr6.3300 (6.2450)
SFr1.5845 (1.5615)
Y128.20 (126.65)

INTEREST RATES
US closed
Federal Funds (Fri: 9%)
3-mth Treasury Bills: yield: (Fri: 8.48%)
Long Bond: (Fri: 101¾) yield: (Fri: 8.86%)
London
3-month interbank: close 13 1/16% (13¼)

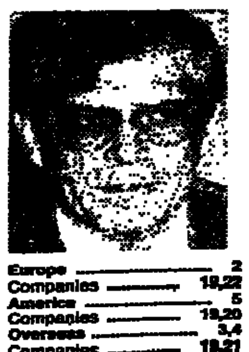
STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,224.46 (+1.61)
S&P Comp 284.19 (+0.32)
London: FT-SE 100 1,871.8 (+9.7)
World: 142.98 (Fri)
Tokyo: Nikkei Ave closed
Frankfurt: Commerzbank 1,679.6 (-15.1)

OIL
Brent 15-day (Argus) $16.95 (+0.05) (Feb)
West Tex Crude $18.675 (+0.25) (Feb)

GOLD
New York latest: Comex Feb $402.9 (403.5)

CONTENTS

Madrid's tax bogeyman closes the 'black' money loopholes



José Borrell, of Spain's Ministry of Finance has led a successful campaign to cut tax avoidance; now he faces his biggest battle as the Government next lays siege to the major insurers in pursuit of unpaid tax on life policies
Page 2

Africa: Zanzibaris on the fringe of the 25th anniversary party for Tanzania 3
Taiwan: The social price to be paid for booming growth 4
Management: The new EC champion for small and medium sized enterprises 10
Technology: Unilever's research and development 13
Editorial: Penalising the mutuals; Brazil's new cruzado plan 16
Lex: Retail sales; US dollar; RHM; mortgage finance; Asda 18
Korea: Growing trade between the estranged halves of the peninsula 18

Europe	2	Agriculture	32	Financial Futures	40	Raw Materials	32
Companies	19,22	Arts-Reviews	15	Gold	32	Stock Markets	39-44
America	5	World Guide	15	International bonds	23,24	-Wall Street	41-44
Companies	19,20	Commodities	32	Intl. Capital Markets	23,24	-London	35-39
Overseas	3,4	Crossword	40	Letters	17	Technology	13
Companies	19,21	Currencies	40	Lex	18	Unit Trusts	34-37
World Trade	6	Editorial Comment	16	Management	10	Weather	18
Britain	7-9	Euro-options	40	Money Markets	40	World Index	44
Companies	25-31			Observer	16		

Soviet price reforms 'are being slowed'

By Quentin Peel in Moscow

PRICE reform in the Soviet Union is inevitable and essential, but hostile public opinion has forced the government to slow the process, a top Soviet planning official said yesterday.

Academician Stepan Sitaryan, first vice-chairman of Gosplan, the powerful state planning committee, overruled growing doubts about the likely extent of the promised Soviet prices overhaul.

Economic debate at the top of Mr Mikhail Gorbachev's administration was complex, and highly sensitive to changes in public opinion. That was his explanation for recent measures against the fledgling co-operative movement, price controls, and reversion to state procurement orders for basic commodities.

"Today, we face a problem of retail prices. That they are distorted is well known. But people are against any increase in prices. There is a negative attitude to price reform, even when people are told any increase in prices will be compensated for completely.

"We are looking more closely at the timing of the reform, and its detail. But without overall price reform, we shall never reach the final goal of the reforms" – including a new model of managing the economy, invigoration of the "Socialist market", giving greater rights to enterprises, and introducing more competition.

"This view is that price reform is inevitable."

It should be possible to reform wholesale and retail prices simultaneously by the target dates of 1990 and 1991 – not just sticking to wholesale price reform, as some Soviet economists have argued. "We believe price reform should be overall, not incomplete."

There were two views on the tactics of reform. One suggested gradual price movement. The second proposed a single price rise, followed by a phase "to perfect the system itself", introducing flexibility.

State enterprises were refusing to accept contracts for fixed-price production of cheap commodities, seeking to boost their incomes by switching to producing more expensive goods with a higher profit margin.

"It is a natural reaction to conditions that exist." They were being asked to make profits, and fixed-price state orders were not necessarily profitable.

The effect of public opinion on economic policy was a key factor behind any perception of "stop-go" economic reform.

"Many decisions at the top are being taken under the influence of certain articles in the press. People are dissatisfied.

"Today, this problem. . . is different from 10 years ago. We need more calm – a deeper analysis of events."

Patients beat a path to the private doctors' door

By Quentin Peel

THE SOVIET authorities are in a quandary because of the extraordinary popularity of the fastest growing sector in the country's new co-operative movement: private health care.

When free medical care is theoretically available to the entire population, Soviet citizens have demonstrated their disgust with the sorry state of their public health services by flocking to co-operative ventures for paid treatment. Charges range up to Roubles 60 ($95) or more for a single visit, or almost a third of the average monthly wage.

More than 2,000 such ventures have been established in Moscow in the past year and queues are already building up at their doors. Now an opinion poll shows that doctors would prefer to work in co-operatives, rather than the state system, and the best qualified are attracted into the movement.

The ideological shock to the Soviet system is profound.

Medical co-operatives have been singled out from the rest for the toughest in a series of restrictions imposed by the Council of Ministers at the New Year. They ban a range of medical activities, such as observation and treatment of pregnancy, surgery, treatment of infectious diseases and drug addiction.

The co-operatives may not produce medicines, and any other medical aid can only be offered on the basis of a contract with a state institution.

So why are citizens queuing at their doors? Opinion polls carried out by the eminent Institute of the Economy and Forecasting of Scientific and Technical Progress, and the All-Union Research Institute of Social Hygiene, Economy and Health Administration, give some damning replies.

More than 56 per cent said the doctors were better qualified. Nearly 32 per cent said there were no relevant specialists at their regional (state) polyclinics, and 34 per cent said they received more attention.

Doctors, notoriously underpaid in the Soviet system, make up a far higher proportion in the co-operatives than in state medical organisations: 59 per cent, against 21 per cent in the public sector.

The surveys also show that 6 per cent of co-operative doctors have full PhDs, 24 per cent are candidates of medical sciences (almost the equivalent of a Western PhD), and 44 per cent have first class degrees.

The evidence was published in the latest issue of Argumenti i Fakti, a weekly newspaper originally published for Communist party activists. It says that two reasons dictate why doctors are flocking to work in the co-operatives: better material incentives, and "the opportunity to use more fully their professional skills."

The picture that emerges from the official surveys is a very favourable one: most patients were happy with the treatment, and would return for a second visit.

Ex-Turkish bank chief 'forced to carry gun'

By Jim Bodgener in Ankara

THE MAN who resigned last month as head of Turkey's third largest bank says he faced political manipulation and threats of physical violence in his efforts to reform Turkey's state banking sector.

"For two months we all carried pistols," said Mr Bulent Semiler, who resigned as head of Emlak Bankasi in December after a row with the then Deputy Premier, Mr Kaya Erdem, over a newspaper report linking the latter with the embezzlement case of fugitive businessman Kemal Horzum.

Mr Erdem stepped down himself after Mr Turgut Ozal, the Prime Minister, kept Mr Semiler on as a trouble-shooting adviser.

Mr Semiler said his drive to streamline Turkey's debt-ridden state banking sector met with entrenched bureaucratic and political opposition at every turn – and castigation as a "whizz kid" of only 33.

State banks were extremely vulnerable to political manipulation, he said in a recent interview. People who failed to obtain financing from the private sector would recruit MPs to put pressure on the banks.

"We were the only ones able to say no, because we were backed by the Prime Minister," he said. However, even the Premier could not shield state banks from political influence for long.

A highlight of Mr Semiler's crusade was the tracing of Mr Horzum to Switzerland, from where he was extradited in September to face charges of swindling about $80m from Emlak Kredi Bankasi in 1984 and 1985.

Emlak Bankasi was created early last year from the merger of Emlak Kredi Bankasi and Anadolu Bankasi. The bad debts of the two banks had been reduced by TL300bn (£91m) to 6 per cent of the total loan portfolio, compared with the previous 40 per cent, Mr Semiler said.

Because bad debtors' delaying tactics could put off judgment almost indefinitely under the Turkish legal system, he chose to expose them in the press instead.

"These are nouveau riche types," he said, who had made their money in exports, shipping and currency speculation, taking advantage of the export drive underpinning the Government's structural adjustment programme.

● Sweeping detentions have been made in south-east Turkey over the past fortnight, according to Professor Erdal Inonu, leader of the main opposition Social Democratic Populist Party (SHP).

He claimed they were an attempt to smear his party in the run-up to the local elections in March. Leading members of his party are among around 500 people reportedly detained by security forces on suspicion of extending aid to the outlawed Marxist Kurdish Workers' Party (PKK), he said.

Amnesty International has also written to the Government seeking assurances that the detainees would not be maltreated. It recently produced a report alleging that torture was still systematic and widespread in Turkey, despite its signing of two international anti-torture conventions last year.

The Turkish Government yesterday delivered an indignant rejection of the report to Western ambassadors.

Salzgitter named in Libyan 'chemical arms' plant affair

By David Goodhart in Bonn

THE BONN Government faces further embarrassment over the role of West German companies in building the suspected Libyan chemical weapons plant following press allegations that Salzgitter, the state-owned steel and engineering group, drew up the plans for the plant.

Mr Gerhard Stoltenberg, the Finance Minister, also yesterday became the first senior government member to admit that the plant in Rabta, Libya, was probably capable of producing poison gas.

Mr Stoltenberg is just back from a trip to Washington where he discussed the issue. He said: "We have to assume that at this factory there is a section that is capable of producing poison gas. This is based on concrete indications."

He also admitted that the West German intelligence authorities have known about the participation of West German companies since August, somewhat earlier than the late September/early October date claimed last week by the official government spokesman.

The Salzgitter subsidiary, Salzgitter Industriebau GmbH, denies having knowingly drawn up any plans for Rabta but does acknowledge that it completed plans for the piping and electrical aspects of a pharmaceutical plant between 1984 and 1987 as part of a DM7m (£2.2m) order from Imhausen-Chemie.

Black Forest-based Imhausen is currently facing a criminal investigation over allegations that it [illegible] export laws by supplying Libya with key equipment for the plant via letter-box companies in Hong Kong.

Salzgitter says that it supplied its plans for the project, entitled Pharma 150m, to an Imhausen subsidiary in Hong Kong.

In the past Salzgitter has been accused of sending forbidden military parts to South Africa. It has also had extensive trade links with Libya. However, its claims of ignorance as to the final destination of its plans – a claim made by most of the West German companies alleged to have supplied the plant – are widely believed.

Salzgitter has worked with Imhausen in the past, most notably on a high-profile coal hydrogenation project which received considerable backing from the Research Ministry. Since 1972 Imhausen has received more than DM62m in research subsidy from the Government.

● The head of an Antwerp shipping company was remanded in custody yesterday on charges of falsifying cargo documents in connection with the building of a suspected chemical plant in Libya, AP reports.

Mr Jozef Gedopt, the director-general of Cross Link, who was arrested last Wednesday, was ordered to be held in custody for another 28 days.

Meanwhile, the Belgian subsidiary of Phillips Petroleum of the US, denied a published report his company had shipped a chemical compound that is used to make mustard gas to Libya.

"We have certainly not delivered chemical products to Libya. Of that we are certain. We have never done business with Libya," said a spokesman for the subsidiary located at Tessenderlo, 40 miles east of Antwerp.

Business Week magazine reported that the company was one of several in a dozen nations that, wittingly or unwittingly, helped build what the US administration charges is a chemical weapons plant at Rabta.

Belgian police search for missing ex-PM

By Tim Dickson in Brussels

A POLICE search was under way in Belgium yesterday for Mr Paul Vanden Boeynants, the country's 69-year-old former Prime Minister who appeared to have been kidnapped from his Brussels home on Saturday evening.

A group calling itself the Socialist Revolutionary Brigades telephoned a local radio station on Sunday claiming responsibility, but a senior official in the Belgian Interior Ministry indicated yesterday that terrorism was not considered a likely motive for the abduction. "All the experts involved think this is more likely to be an ordinary crime," he said.

Mr Vanden Boeynants, a butcher's son, who is still at the head of a big local meat business, is one of the dominating figures of post-war Belgian politics. He was twice prime minister in coalitions led by the middle-of-the-road Christian Democrat parties, but fell from grace in 1986 when he was found guilty of tax fraud. He was fined heavily and received a suspended prison sentence.

Considered a master of the renowned Belgian art of political compromise, "VDB" as he is affectionately known, made a dramatic comback with the voters in last year's local elections but after the intervention of an embarrassed Prime Minister Wilfried Martens he dropped out of the running for the post of Brussels mayor.

The kidnapping has created huge interest in Belgium, intensified by the discovery near the scene of the presumed crime of his familiar pipe and hearing aid and by the knowledge that his medical condition means he could suffer a heart attack without the right medication.

French inflation edges up

By George Graham in Paris

FRENCH consumer prices rose by 0.2 per cent in December, taking the inflation rate for 1988 to 3.1 per cent, the state statistics institute, Insee, announced yesterday.

Government budget forecasts were originally based on 2.5 per cent, but Mr Pierre Bérégovoy, who took over as Finance Minister in May after the re-election of President François Mitterrand, has more recently been aiming to keep the rate to 3 per cent or less.

The French Government is planning legislation in the spring to break up the Gaullist-dominated hard-core shareholding structures of the big financial and industrial groups privatised by the former right-wing administration. Page 18

Inflation, nevertheless, remained stable compared with the year before despite substantially faster increases in food prices over the year. Consumer prices benefited from lower energy costs, with oil products falling in price by 1.6 per cent in the 12 months to November, compared with a 4.3 per cent rise in 1987.

Clothing prices, rents and other private sector services also rose more slowly in 1988, although rents remain one of the areas where inflation is highest.

Poland's rulers seek deal with Solidarity

By Christopher Bobinski in Warsaw

THE CENTRAL Committee of Poland's Communist Party yesterday began a two-day meeting which the leadership hopes will approve renewed attempts to reach an accommodation with the Solidarity trade union.

Over the past few days official commentators have taken up the theme that the country needs a "new critical majority" which would include Mr Lech Walesa's movement and support the government's economic reforms.

This policy, which would presumably include some form of legalisation for Solidarity, has aroused some deep anxiety and opposition which could emerge during the meeting.

That mood has been challenged by a Politburo member, Mr Marian Orzechowski, who told the plenum the issue of trade union pluralism was "coming to fruition".

Last month a third of the Central Committee's members failed to support the candidature of Mr Stanislaw Ciosek, a key negotiator with Solidarity, in his ultimately successful bid for a Politburo seat.

Solidarity, meanwhile, wants a clear declaration from the authorities that it will be recognised officially as a trade union before considering whether to support the government's economic policies, which have aroused discontent as prices have risen.

In a further complication for economic policy, several new banks have withstood pressure from the country's central bank to set deposit interest rates in line with the PKO bank, till now the country's largest savings bank.

The clash comes only a few days after the new banks, which were carved out of the national bank, started operations in the New Year as part of banking reforms aimed at introducing more competition into the financial system.

According to the Banking Gazette, the central bank counselled "moderation" to the new banks when they started to set interest rates on deposits which could undermine the position of the PKO bank.

The fracas has forced PKO to increase its current account interest rate from 11 per cent to 22 per cent, nearer the 24 per cent being offered by some of the new banks. But on longer term deposit accounts the PKO bank has kept its rates at the minimum levels set by the central bank while some new banks in Lodz, Szczecin and Silesia are offering up to 7 per cent more.

The bank in Lodz, for example, is offering 51 per cent on 12 months deposits compared to the PKO's 44 per cent.

Action sought on world environment

By John Hunt in Turin

URGENT action to prevent the overheating of the earth's atmosphere – the greenhouse effect – and the depletion of the ozone layer were called for yesterday at an international conference of scientists in Turin.

"We no longer have margins of time to avert disastrous effects and adapt our economies so that they are able to withstand the impact of these phenomena," warned Mr Umberto Colombo, president of Italy's ENEA (National Commission for Research and Development of Nuclear and Alternative Energy.

The conference was warned that radical changes in the world climate with flooding of coastal areas could be expected unless further measures are taken to deal with these problems.

Ozone depletion in the upper atmosphere and the hole in the ozone layer in Antartica are believed to have been caused by CFCs (chlorofluorocarbons) used in aerosols and refrigerators.

The greenhouse effect would result from sulphur emissions from power stations and gases from car exhausts as well as CFCs.

The conference on "atmosphere, climate and man" is organised by the San Paolo Institute for Culture, Science and Art in Turin.

Tomorrow, it intends to issue proposals for meeting the challenge of climatic change.

The dramatic effect of rising sea levels by between half and one metre as a result of increased temperatures was described by Mr Dennis Tirpak, director of strategic studies at the United States Environmental Protection Agency.

It would mean that up to 80 per cent of the US coastal wetlands would be lost and estuaries salinated.

The cost of protecting such areas would be in the region of $75bn to $100bn.

Global warming would mean that demand for electricity in the north would be reduced, while more power would be used in southern regions as a result of greater demand for air conditioning.

"Climatic changes will cut across geographic and political boundaries," he predicted.

An extra price tag on energy consumption as a means of reducing atmospheric pollution was advocated by Mr Ernst Weizsacker, director of the Institute for European Environmental Policy in West Germany.

"We need a change of policy," he declared.

Yugoslav inflation hits 251%

YUGOSLAVIA'S retail prices rose 251 per cent last year, while social product, a broad measure of economic output, fell by 2 per cent, writes Aleksandar Lebl in Belgrade.

Industrial output decreased 0.7 per cent and agricultural production, affected by drought, by 3 per cent.

The country's external balances fared better. Although volumes of exports and imports were reduced, the dollar value of both went up.

Exports, at $12.6bn, were up by 9.5 per cent, while imports, at $13.2bn, showed an increase of 3.4 per cent. The total export to import ratio improved from 90.4 per cent in 1987 to 95.8 per cent in 1988, and the trade deficit was reduced from $1.22bn to $557m.

Unions at odds across Atlantic

By John Wyles in Rome

A SHARP clash is looming between leading European trade unions affiliated to the OECD's Trade Union Advisory Committee (Tuac) and the American Federation of Labour-Congress of Industrial Organisations (AFL-CIO) following a veto imposed by the US grouping on an application for Tuac membership by Italy's largest union confederation.

The Committee's mid-year plenary session will be under pressure from some of its European components to abandon its tradition of consensus in favour of some form of voting.

This would almost certainly clear the way for the entry of Italy's CGIL which is otherwise threatening to withdraw its membership application lodged more than two years ago.

The AFL-CIO's resolute opposition to CGIL membership has been spelled out by its president, Mr Lane Kirkland, in a long document which the Italians claim is redolent of 1950s cold war rhetoric.

In what purports to be a detailed study of the CGIL drawing on Italian press reporting and comment, Mr Kirkland asserts that the confederation is basically a tool of the Communist Party (PCI).

He claims that CGIL officials are chosen by the party which uses "clearly not democratic methods" to establish a hidden hegemony over the union.

His sweeping judgments have no support in Italy and little elsewhere.

Mr Claudio Sabattini, head of the CGIL's international department, said yesterday: "If they had read the statutes of the PCI they would see that the party's members are free to join any union of their choice. The CGIL is independent of the PCI and there is no relationship between party decisions and those of the union."

Pressure rises for Norway to apply to join EC

By Karen Fossli in Oslo

NORWAY'S Labour Government is facing mounting domestic pressure over its unwillingness to make an early bid to join the European Community.

A new opinion poll shows a sharp rise in public support for EC entry, and to the Government's embarrassment, it was disclosed last week that Mr Christian Berg-Nielsen, the Norwegian ambassador to the EC, had recommended an application to join this year in a report to the foreign minister.

The poll, conducted for the opposition Conservative party, which backs EC membership, indicated that the percentage of respondents favouring an application had jumped to 35 per cent from 25 per cent in a similar survey a year ago. The percentage opposed to the idea slipped to 30 per cent from 31 per cent. About a third of the electorate remains undecided, the poll indicated. The Conservatives have pledged to make EC entry a central issue in this year's general election.

Market, Media Institute, which carried out the survey, said that the results suggested that support for EC entry was rising in rural areas, dependent on farming and fishing.

The diplomat's report, leaked to Aftenposten, the conservative daily newspaper, said that Norway could face damaging political isolation if it failed to make an early bid.

Madrid's tax bogeyman chases 'black' money loopholes

The man who cleaned up the Finance Minstry's fiscal act is now laying siege to Spain's insurers, Peter Bruce reports

FOUR years into a sustained crackdown on tax evasion and avoidance by the Spanish Government, the results are beginning to look good. Budgeted tax income forecasts have been bettered in each of the last three years and the Government is now closing in on the owners of some Pta1.5 trillion (million million) in "black" money accumulated since 1978 who have so far frustrated all attempts at taxation.

The man behind these successes is Mr José Borrell, 41, a bespectacled, soft-spoken, Stanford University graduate, now number two in the Ministry of Finance, who admits with a laugh that when he was first offered a job in the ministry in 1982 he did not know where it was.

A Catalan, he spent three years in Paris, studied mathematics at Stanford and came home just before Franco died in 1974. Then, as now, a young man in a hurry, he joined the Socialist party, first working for a local authority on the outskirts of Madrid and then in regional government when the Socialists won Madrid in 1979. After the 1982 general election the new Finance Minister, Mr Miguel Boyer, made him Secretary for the Budget. A year later he was made Finance Secretary.

Mr Borrell has become a bogeyman in Spain, where tax evasion, or avoidance, is an old macho game born of centuries of resentment of centralised Government in Madrid and the grave loss of its legitimacy during Franco's dictatorship. He reckons Madrid still collects only two thirds of what existing laws allow it to.

But the revenue service he commands is obviously getting good at its job. Scooping up new taxpayers has helped him better budgeted tax receipt increases by 5 per cent in 1986, 12 per cent in 1987 and 9 per cent last year, when total tax income reached Pta8 trillion. The effort has helped cut the public deficit to just 2.7 per cent of gross domestic product.

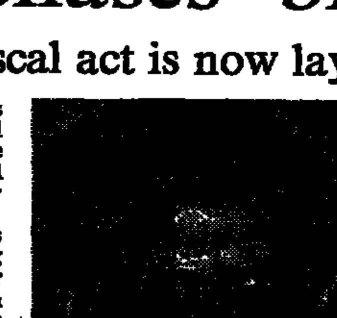
But for six years after Spain's big fiscal reform in 1978, Mr Borrell says, the revenue service got nowhere. "We had no previous fiscal experience and these six years generated a lot of black money," he says. Since 1984, though, he has doubled the size of the service and scattered its 30,000 employees well away from Madrid.

"We probably have better information now than the Germans, but they don't need as much as I do," he says. "There is still a great deal of fraud here. Our laws are naïve." A year ago credit card companies were forced to disclose details of customer transactions and this year he plans to issue every Spaniard with a Fiscal Identity Card to be used in any taxable transaction.

But his biggest battle now is legal. The ministry is laying siege to Spain's big insurers for the tax on Pta1.5 trillion ($15bn) used by clients to buy *primas unica*, single premium life polies, in 1986 and 1987. Spanish banks, forced by him to begin supplying details of current accounts and interest, and facing higher deposit reserve ratios, passed hundreds of clients onto affiliated insurers offering tax free policies. Mr Borrell wants their names.

The insurers have offered to name people still holding *primas unica*. But he is not impressed and two courts have backed him. "The ones still there have nothing to hide," he says. The big black money has already moved on, mainly into property. This tussle, which he probably will win if the Socialists stay in power long enough, is the key to flushing out the bulk of Spain's black money.

Tax dodgers find the jovial, smoothly dressed figure of Mr Borrell behind them with carrots as well as sticks however. In 1985 he tried to soak up black money by offering black Treasury Bills (Pagares del Tesoro) at very low interest



Borrell: young man in a hurry

rates. The amnesty worked for a while but buying soon fell off as punters were lured back into more lucrative operations:

● Property – Cheating has been easy. Buyer and seller agree on a price but give the validating notary a much lower price on which the seller then pays capital gains tax. The notary will assume they are lying and charge a fee related to what he regards as the real price. No one complains because the tax saving can be huge. Billions of illicit pesetas have abandoned primas unica to settle, like vultures on a corpse, on the property market.

The fraud is sometimes close to home. A few years ago Mr Borrell's deputy - the chief of the revenue service - sold a house and found the acting notary charging him a fee based on double the sale price.

Notaries complained they were helpless in the face of conniving clients so to "protect" them, Mr Borrell has devised another dastardly scheme. Property sold will now be valued by his people and if they feel the buyer has been made a gift – the difference between the notarised price and their estimate – they will tax the gift.

● Rights issues – Shares issued as rights can be sold virtually tax free until the original shares are sold, a great help to the stock markets. But this has enabled owners of private companies to sell them – mainly to foreigners – and pay practically no capital gains tax simply by making a huge rights issue, selling the rights, and control of the company, to the buyer, while the seller retains just his original shares now worth, say, 2 per cent of the company. "They might as well frame the shares and put them on the wall," says Mr Borrell. Under draft legislation, Mr Borrell aims to limit the tax break on rights to quoted companies only.

● VAT – An almost unstoppable practise whereby tradesmen, doctors, lawyers and some institutions can ask for cash payments and do not make out bills which reflect the current VAT rate. VAT fraud "even happens to me at my home," says Mr Borrell. Plumbers or electricians constantly ask his wife if she would like her bills "with or without VAT".

● Public debt – The interest on *Letras del Tesoro* (one year Treasury Bills) is, legally, subject to an income tax of 20 per cent if the owner is a non-resident foreigner and if the bills are cashed in before maturity. A capital gains tax on the profits applies on maturity. Foreigners hold some Pta1.5 trillion worth of Letras, most of which will be cashed in before maturity and Spanish banks, who do good business selling Letras, do not ask for proof of tax paid before sending the proceeds abroad. Mr Borrell is thinking about imposing a withholding tax on Letras, though the Government will not want to scare foreign investors.

Mr Borrell must rank high on the list for a Cabinet post next time Mr Gonzalez has a reshuffle. But his tenacious technocratic successes may make it difficult for Mr Gonzalez to shift him. Friends suggest he would make an ideal European Commissioner.

He will have other ideas closer to home. "Of course I have political ambitions," he says, though "my job now is to be aware of what is happening and to tell my minister what is happening." Modesty aside, with, theoretically, Pta3 trillion still sloshing about Spain untaxed, he still has a lot of holes to plug and a lot of telling to do.

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OVERSEAS NEWS

Julie Wells, the American wife of South African guerrilla leader Ebrahim Ismail Ebrahim, in Pretoria yesterday after her husband was jailed for 20 years

South African court jails black guerrilla leader

A SOUTH AFRICAN state prosecutor yesterday shouted slogans supporting the country's biggest neo-Nazi party, at the end of a treason trial in which a black guerrilla leader was jailed for 20 years, Reuter reports from Pretoria.

"Long live the AWB," shouted Ms Louise van der Walt, referring to the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement), a white supremacist group which models itself on German Nazis.

Ms Van der Walt's outburst came after friends and relatives of the accused, Mr Ebrahim *Ismail Ebrahim*, sang the black anthem "God Bless Africa" and shouted slogans in support of the banned African National Congress (ANC) guerrilla movement.

Colleagues of Ms Van der Walt shouted her down. Clearly agitated, she responded: "Why do you have to shut me up when others are allowed to sing?"

Mr Ebrahim, 51, was sentenced after he was convicted of treason in November following a 16-month trial in which he refused to give evidence.

Korean leaders agree talks

NORTH KOREA yesterday agreed to South Korea's proposal to hold the highest-ranking political and military talks on easing their tense relations since the Korean War, AP reports from Seoul.

North Korea's Premier Yon Hyung Muk, in a letter to his South Korean counterpart, Kang Young-hoon, agreed to the South's proposal that they should head their respective delegations at talks to be held alternately in the two capitals.

"The North and South must ease the tension, remove the danger of war and provide a reliable precondition for peaceful reunification as soon as possible," Mr Yon said.

Mr Yon proposed a meeting at Panmunjom on the North-South border on February 8, headed by vice ministers, to work out terms for full-scale talks. No date was mentioned for the main talks, and the two sides are expected to face problems on agreeing on terms.

Mr Yon repeated the North's demand for separate three-way talks with South Korea and the US on reducing tension on the divided peninsula.

Korea trades its away divisions, Page 18

Belgium is anxious to mend Zaire relationship

By Tim Dickson in Brussels

MR Leo Tindemans, Belgium's Foreign Minister, yesterday emphasised his Government's eagerness to repair the deepening rift in relations with Zaire by announcing he would attend a ministerial conference at Kinshasa planned for April.

Mr Tindemans made his comments in two radio interviews after the weekend decision in Brussels to hit back hard at its former African colony, which has renounced two long-standing friendship agreements, imposed a freeze on its debt payments to Belgium, and curbed flights by the national airline Sabena.

Belgium's response has been to halt all development projects in the country which are not yet under way.

The Government of Mr Wilfried Martens, the Prime Minister, was waiting anxiously yesterday for further developments, including a threat from the Zairean Transport Minister on Sunday to suspend all Sabena's landing rights in Kinshasa. Sabena's four flights a week have already been cut to two but the aircraft which took off from Brussels yesterday bound for Zaire landed safely at its destination.

Government officials in Brussels said yesterday that Belgium would be seeking legal recourse for the alleged violation of the bilateral air agreement but as Mr Tindemans made clear yesterday the main hope lies in the successful staging of the Kinshasa conference. "We are anxious that the bridge is not broken," he said.

A Belgian Foreign Ministry official yesterday pointed out that latest figures showed a positive trade surplus in favour of Zaire. Belgian imports from Zaire totalled BF23.9bn (£354m) in 1987, Belgian exports to the African country amounted to BF10.3bn.

Singapore clamps down on courts

Singapore introduced two bills in Parliament recently seeking to stop courts questioning the country's controversial detention law, Reuter reports from Singapore.

Mr Shanmugam Jayakumar, the Home Minister, moved the bills – Constitution of the Republic of Singapore (Amendment) Bill and Internal Security Amendment Bill – without an explanation to the 81-member House, which has only one voting opposition member.

Economic shake-up urged for Israel

By Andrew Whitley in Jerusalem

A THATCHER or Reagan-style revolution in economic policy must be implemented immediately by Israel if the Jewish state is to resume the high growth rates it enjoyed during the 1950s and 1960s, a report issued yesterday claims.

After economic growth of barely 1 per cent last year, Israel's two principal parties – Labour and Likud – are united in their stated determination to put the economy back on a much higher growth track. But the package of measures announced by Mr Shimon Peres, Finance Minister, earlier this month is widely viewed by industry and academics as inadequate for this task.

The report, edited by Dr Alvin Rabushka and Professor Steve Hanke, two respected US economists associated with the Reagan Administration, on behalf of the Jerusalem-based Institute for Advanced Strategic and Political Studies, prescribes an unadulterated dose of free enterprise for Israel.

Without big reforms, it warns, the country's present standard of living will be unchanged by the end of the century, the burden of taxation and defence spending will have reached crushing proportions – and "the rest of the world will pass Israel by".

Socialism is firmly blamed for the stagnation of the past 15 years, a period in which Israel slipped down the international league table. A decade ago, for instance, the average income was double that of Singapore, whereas today the Singapore worker enjoys earnings almost half as much again as his Israeli counterpart.

Noting that public spending now absorbs 72 per cent of gross national product, the report urges drastic measures including a 10 per cent cut in government expenditure, reductions in personal and corporate taxation and steady moves towards free trade. "To be competitive, Israel must compensate (for its geographic drawbacks) by offering the opportunity of a higher rate of return on both labour and capital, and a more conducive environment for business than the OECD countries."

A laudatory preface is contributed by no less a guru than Sir Alan Walters, economic adviser to Mrs Margaret Thatcher, the British Prime Minister. Like many an observer before him, Sir Alan wonders aloud how "the Jews of Old Europe, well known for their individualism, resource and enterprise" in the most unpropitious of climates could have come to such a parlous state. "One can only surmise that those wonderful traits have been only temporarily oppressed by socialism," he says. But what Israel needs, above all, Sir Alan concludes, is a great leader, like Mrs Thatcher, to implement the reforms.

Peres: package inadequate

Left-wing Labour Party chief resigns

By Andrew Whitley

Bar-Am: response to PLO

AN IDEOLOGICAL split within Israel's Labour Party has come out into the open with the unexpected resignation from his post of Mr Uzi Bar-Am, the party's secretary-general.

Mr Bar-Am, an unabashed socialist, has led calls for the Israeli Government to respond positively to the Palestine Liberation Organisation's recognition of the Jewish state and willingness to settle for part of the former land of Palestine.

From the backbenches of the Knesset, the Labour politician is expected to act as a focal point for the discontent of other left-wingers over the course being set by Mr Shimon Peres and Mr Yitzhak Rabin, the two senior party leaders.

If Mr Peres flounders badly in his new post as Finance Minister, or if over the coming months the national unity government fluffs Middle East peace chances, a challenge for the leadership would rapidly appear from this group.

"Today, I represent a fairly sizeable part of the Labour Party that believes the pursuit of peace is the central issue of this time," Mr Bar-Am said on Sunday, when he announced his resignation after over four years in the powerful political post.

Two front-runners to replace him have already emerged, Mr Micha Harish, a protegée of Mr Peres, and Mrs Ora Namir, who had been disappointed not to find herself in the coalition Cabinet. Her candidacy is being backed by the more right-wing Rabin camp within Labour.

Mr Bar-Am has long been at odds with the way in which Mr Peres has led Labour away from its socialist principles over the past decade, along a more pragmatic, centrist path.

Burma tries to reassure press over students

By Chit Tun in Rangoon

THE BURMESE authorities have arranged a three-day visit to Burma, starting tomorrow, for 50 Bangkok-based journalists in an attempt to refute reports abroad that students who had returned home after fleeing to insurgent-held border regions following the September 18 military takeover, have been re-arrested and killed.

The journalists, accompanied by 10 Rangoon-based foreign correspondents, will be allowed to interview the returned students and their parents at their homes in Taunggyi in Shan state, Loikaw in the Kayah state, and Meiktila in central Burma.

The expenses of the trip, which includes travel by air to the three towns, will be borne by the Burmese Government.

The Government has taken great pains to persuade the students to return after they fled in fear of punishment for their part in pro-democracy demonstrations in August and September.

Their return has been greatly facilitated by the co-operation of the Thai Government, promised by Gen Chaovalit Yongchaiyudh, the Thai acting chief-of-staff, during a visit to Rangoon on December 14. So far over 2,600 students have returned from an officially estimated 3,000.

Peking-Hanoi talks

China acknowledged yesterday that Mr Dinh Nho Liem, first deputy Foreign Minister of Vietnam, was in Peking for consultations on the Kampuchean civil war, an issue that has divided the two nations for 10 years, Agencies report.

Zanzibaris stay on fringe of the Tanzanian party

On the revolution's 25th anniversary, islanders are resentful or apathetic, says Aidan Harvey

Last week's celebrations of the 25th anniversary of Zanzibar's bloody revolution, which overthrew sultanate rule, did not inspire the population. The anniversary was greeted with apathy, and resentment at the presence of 4,000 troops shipped in from mainland Tanzania to contain possible outbreaks of unrest after a recent round of detentions.

Zanzibaris, many of whom feel that their autonomy from Dar-es-Salaam is being threatened, chose not to attend festivities and stayed at home.

At a half-built football stadium on Zanzibar's sister island of Pemba, a crowd of 10,000, many of them government workers, dutifully chanted revolutionary slogans. Meanwhile, units of the Tanzania People's Defence Force barely camouflaged themselves in the clove plantations and jungle outside.

"The turnout really showed how close the government is to the people here," muttered a disgruntled diplomat who had been flown in for the event. But the parade of smartly turned-out soldiers passed without a hitch despite fears of a demonstration after six local figures, including Soud Yussuf Mgeni, a former minister of agriculture, were briefly detained.

The present discontent reflects increasing strains on ties made with Tanganyika just months after the revolution on April 26 1964, according to opposition leaders. But the view of government and the ruling party, Chama Cha Mapinduzi, is to treat the opposition as a minority driven to intimidate Zanzibaris from turning out on January 12. "There is no tension except for a few dissidents who want to persuade people not to turn up at the celebrations," said Jamal Nassib. "They are trying to impress people it would be safer to stay indoors because the government will be overthrown."

Zanzibar retained a large measure of autonomy under the union made with Tanganyika in 1964. In 1977, the ruling Afro-Shirazi Party was merged with the Tanganyika African People's Union to form CCM.

Signs that the union was under strain first appeared in 1984, when CCM dismissed President Aboud Jumbe for allegedly working to dismantle mainland ties with the support of Zanzibaris who had fled to Oman after the sultan was deposed.

Zanzibar feels it deserves a larger slice of development aid than the $50m which has been allocated to projects in 1988-89

Jumbe's successor, Ali Hassan Mwinyi, introduced a more liberal economic policy before going on to become union president in 1985, when Julius Nyerere stepped down. But by then the economy, 90 per cent reliant on exports of cloves, was severely depressed by drastic falls in local production and the world market price of its mainstay crop. This, in turn, compounded separatist feelings on Zanzibar as the Bank of Tanzania, from an equally impoverished mainland, looked covetously on the meagre foreign exchange reserves of the People's Bank of Zanzibar.

Now, opposition leaders fear that CCM and the party chairman, Julius Nyerere, in particular, want to remove all barriers to a total union. They point for evidence to the dismissal from party and government of a number of critical politicians, notably former chief minister, Seif Shariff Hamad, by CCM, over the past year.

Once again, government and party members dismiss this. "It was Nyerere himself who suggested the union had two governments," said Nassib.

The absence of the Zanzibari government representative in negotiations between Tanzania and the International Monetary Fund over its economic recovery programme has inspired even more discontent. Zanzibar feels it deserves a larger slice of development aid than the $50m which has been allocated to projects in 1988-89. "The case which was put to the IMF is not the economy of Tanzania but on Tanganyika. The whole bloody thing is highly unfair and inequitable," according to Muhammed Dedes, an economist in the Finance Ministry. He believes, as do many Zanzibaris, that the articles of the original union constitution did not spread benefits evenly between the mainland and the islands. "Unless something is done to change the constitution, Zanzibar and the mainland will continue to stray apart."

Yet Zanzibar, despite a more liberal economic policy which now seeks to attract investors such as the Aga Khan, who is constructing a large tourist hotel at Mangapwani, would be hard pushed to go it alone. The islands currently rely on imports of food, electricity and fuel from the mainland for which it pays in shillings, while it spends more than a third of its foreign exchange on rice from Thailand for the discerning local palate.

Perhaps more pertinently, Zanzibar does not control its own defence. "To overthrow the government is impossible," said Nassib. For the opposition leaders who drink tamarind juice beneath the sultan's old palace and gaze out across the sea to the mainland, this must be all too clear.

OVERSEAS NEWS

Booming Taiwan prepares to pay the social price of growth

Coping with new freedoms and increasing wealth is more difficult than managing industrial change, says John Elliott

WHEN WILL the Taiwan bubble burst? Behind this frequently asked question lies the assumption that this small island of only 20m people off the coast of China cannot sustain its phenomenal export growth of more than 130 per cent in the past three years. This has produced the world's third largest foreign exchange reserves of around $74bn and the 13th biggest annual total two-way trade of $110.24bn.

Last autumn Taipei's turbulent stock market, which had been the third busiest internationally after New York and Tokyo with prices soaring about 250 per cent in nine months, collapsed. It has not recovered.

However it is not the bursting of an economic bubble that is of greatest concern, because the country is successfully grappling with financial and industrial change. It is rather the social bubble that looks vulnerable as the Taiwanese people, who have an extremely high literacy rate of over 90 per cent, react to new political freedom and mushrooming wealth – and a widening gap between rich and poor.

EAST ASIAN ECONOMIES

TAIWAN

There is increased labour unrest, a lack of interest in work, a growing preference for gambling on everything from Hong Kong's lottery to random car number plates in a traffic jam, sharply increasing crime with rumours of foreign gangs moving into protection rackets, and protests about pollution and the environment. All these developments have worsened in the past year.

"Our economic problems are not serious – they are the price of growth," says Mr Vincent Siew, vice chairman of the Council for Economic Planning and a former top trade official. "But the problem arises because we are also entering a period of political and social reforms.

"What is causing concern is that these reforms have come together with economic problems so that issues of labour unions, environmental protests, and the rest arise. In the West such issues are easily resolved, but in our country people are looking at them as potentially very serious political issues.

"We can see a direct correlation between the number of workers on the construction site of our new offices and the stock market," says Mr Blair Pickerill, general manager of Jardine Fleming Taiwan. "If shares go up for a few days, the labour drops off because people go off to play the market. Everyone is feeling rich, salaries and bonuses are at an all-time high and there is a feeling you have to be seen to be rich."

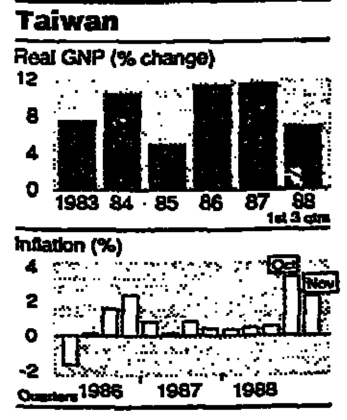
Since 1961 there has been an average real rate of growth of around 9.5 per cent a year. Per capita GNP stood last year at $6,045, ranking only behind Japan, Singapore, and Hong Kong in the region – and roughly 20 times larger than mainland China.

But now the country is having to adjust because of the overheating of its economy. Money supply rose by 25-30 per cent last year and inflation edged up from 0.5 per cent in 1987 to around 1 per cent in 1988 and an officially projected 3 per cent for this year – though some economists predict a politically uncomfortable range of 4-7 per cent.

Industry is having to adapt to Taiwan becoming a high wage instead of low wage economy, and there is also relentless US pressure for the value of the Taiwan dollar to appreciate more than its 45 per cent increase in value during the past three years, and for a heavy imbalance in US-Taiwan trade to be reduced. A sustained boost to domestic demand is needed to compensate for a decline in exports caused by the rising Taiwan dollar, higher labour costs, and a failure so far fully to compensate for the declining US market.

Economic growth fell last year to 7.05 per cent from 11.2 per cent in 1987 and is officially projected at 7 per cent for this year, although economists suggest only 6 per cent.

Export growth measured in US dollars, the main trading currency, fell from 34.5 per cent to 13 per cent and is projected at 10 per cent this year. But measured in Taiwan dollars there was only 1 per cent growth last year, with 9 per cent expected this year. Import growth, in US dollars, was around 42-43 per cent last year and in 1987, and is put at 29 per cent for this year.



As a result the trade surplus fell last year from $19bn in 1987 to $10.94bn, or nearly $14bn if heavy gold imports by the government and private individuals last year are excluded. (Taiwan last year overtook Japan as the world's largest gold importer, taking in an estimated 450m-500m tonnes including estimates of smuggling as well as government and private sector buying.) Official trade surplus projections for this year range from $6.5bn to $10bn.

The trade surplus with the US fell from $16bn in 1987 to $10bn, including gold imports. To compensate for lost US business, Taiwan is slowly moving into new export markets, mainly targetting Japan and Europe, followed by south-east Asia, Latin America and, with a recent relaxation of restrictions, eastern European countries and China.

Industrial restructuring has led to substantial foreign investment, although the $1.42bn coming in during 1988 was 17 per cent down on 1987. This fall was partly caused by the increase in the value of the Taiwan dollar, and there is also some foreign concern about Taiwan's labour and other problems. Japan, which occupied the island from 1895 to 1945, dominates the foreign investment along with the US, and there has also been a marked increase in European interest as Taiwan moves upmarket.

Taiwanese companies have also increased their investments abroad, strengthening regional links with neighbouring countries as they look for cheaper labour to make low technology goods. Thailand has received the largest amount – $386m in equity and loans in 1987 and $1.4bn last year. Taiwan's authorities say it has become the largest foreign investor in Malaysia and the Philippines and the second biggest in Indonesia.

But the cautious opening up of an economic relationship with mainland China is politically the most significant development for the future. Two-way trade, which totalled $1.5bn in 1987 and $2.5bn last year is officially only allowed indirectly, mainly through Hong Kong, and similarly arranged investments in China are informally estimated at $200m. The actual figures could be considerably larger – the Hong Kong-Taiwan Trade Association puts the two way trade figure at $6bn. But Taiwan's free enterprise businessmen find communist China a frustrating place in which to work.

Gandhi heads for defeat in key state election

By David Housego in New Delhi

A PUBLIC opinion poll published yesterday suggests that Mr Rajiv Gandhi, the Prime Minister, could suffer an unexpectedly large defeat in state elections in the southern state of Tamil Nadu, for which polling takes place at the end of the week.

The poll had been seen as a test of strength for the Government in advance of the general election – with the possibility that Mr Gandhi would bring forward the election if the Tamil Nadu result had gone in his favour.

The public opinion poll published in the Hindu, the Madras-based newspaper, confirms the on-the-spot analysis of many observers that Saturday's election will give an overall majority of seats in the state assembly to the Tamil regional party, the Dravida Munnetra Kazhagam (DMK), led by Mr K. Karunanidhi, a former Chief Minister. A DMK victory would on a national level strengthen the opposition alliance, the National Front, which Mr Karunanidhi helped to launch in September.

According to the poll, the DMK will get 35.5 per cent of the vote against 25.1 per cent for the Congress party. Because the rest of the vote is split among other contending parties, the Hindu calculates that the DMK could get 150 to 170 seats in an assembly of 234 as against 50 to 60 for the Congress. This would amount to a landslide victory.

Such a result would be interpreted as a personal defeat for Mr Gandhi because of the amount of energy he has devoted to the campaign. He has visited the state eight times since campaigning began and is due to spend three more days in the state this week. His commitment of his prestige to the battle has in turn drawn to the state leading opposition figures, including Mr V.P.Singh, the alliance leader, who are campaigning there this week.

Mr Gandhi has risked his prestige in the contest because Congress needs a foothold in the south where all four states are under opposition control. It had also allowed its party organisation to collapse to a point where it had no Tamil leader of stature in a state where elections largely turn on personalities.

For a time last year it looked as though Congress might pull off the impossible by returning to power in a state which regional parties have dominated for 20 years. Congress seemed to be benefiting from the discrediting of the increasingly corrupt and inefficient provincial administration. The All India Anna DMK (AIADMK) – a breakaway movement from the DMK – which has governed the state for the last 10 years under the leadership of the former film star, M.G. Ramachandran, had also broken up with his death early last year.

More recently Congress has hoped to prevent Mr Karunanidhe from obtaining an overall majority in the state – thus preparing the way for a coalition government in which it could be the senior partner. It could still salvage its pride by obtaining enough seats on Saturday to strengthen its long-term role in the state.

Congress's error seems to have been in not entering into an alliance with one of the other parties in the contest. The poll shows that Congress together with the faction of the AIADMK led by the film actress Jayalalitha, Mr Ramachandran's former leading lady and the main claimant to succeed him, could have gathered more votes than the DMK.

Philippine 'Marshall aid' prompts defence debate

By Richard Gourlay in Manila

PRESIDENT Reagan's proposal to double aid to the Philippines has set in motion a plan that will indirectly increase Japan's role in the defence of South-east Asia at a time when the death of Emperor Hirohito has resurrected bitter memories of Second World War aggression.

The budget proposes a $200m contribution to the first year of a multi-billion international aid programme for the Philippines which Japan will support strongly. The programme is supposed to be similar to the Marshall Plan that helped relaunch post-war Europe.

But the plan neatly allows Tokyo to make a much larger contribution to regional defence, specifically the US bases in the Philippines, without raising alarm bells either in Japan or the region it overran 47 years ago, Asian and Western diplomats say. Japanese and US officials, who have met to discuss the plan, publicly deny it depends on the Philippines allowing the US to renew a lease on the bases beyond 1991, but privately they recognise the link exists.

Some diplomats in Manila suggest the mini-Marshall plan was originally designed to enable Tokyo to help pay for the US bases in the Philippines in the same way it now pays for US bases in Japan.

The plan does more than recognise what has been known both sides of the Pacific for some time: that its budget deficit no longer allows the US to act alone as the region's policeman. It also underlines how clearly Tokyo and the US administration, if not Congress, agree on regional defence.

"The US administration appreciates our position that any direct increase in the military aspects of the security arrangements in this region would backfire, so some other means should be devised and economic assistance should be used," a senior Japanese diplomat in Manila said last week.

"We can play a major role in enhancing economic stability and progress in the Philippines – the US can concentrate on building its (Manila's) defence capability against the (20-year long communist) insurgency."

There is more behind Tokyo's reluctance to take a more direct military role than a fear of rekindling memories of Japanese aggression in the region. The Japanese constitution and public opinion remain firmly against development of an independent military power.

Tokyo views the mini-Marshall plan as an exercise in co-ordinating aid which Japanese officials say the World Bank and the Paris Club of creditors have failed to do. Japan, which overtook the US as the Philippines' largest aid donor in 1986, recognises that stability in a land along its most sensitive shipping routes is vital to its continued economic success.

On the other hand, Japanese officials say that should the US pull out of the plan, Japan will not assume the lead and the programme will die. The only reason the Bush administration is likely to drop the scheme is if the Philippines closes its bases. Senator Richard Lugar, one of mini-Marshall's chief US supporters, obliquely confirmed the linkage last week when he said potential donors see new aid and continued stable defence relations between Manila and Washington as separate issues that tend to be viewed together.

Mr Reagan's $650m aid proposal seems generous given US budget constraints. Negotiations will start soon on a renewal of the bases agreement beyond 1991. Last October the Reagan administration agreed to try to persuade Congress to appropriate $481m in compensation for use of the bases. The $200m would be the first US contribution to what Manila would like to be a five year, $10bn mini-Marshall plan.

There is a long way to go. Japan and the US, the two largest participants among the 18 countries that have so far expressed interest, have held only one preliminary meeting in Hawaii last year. Donors say they would not want to start serious discussions until there was a successful outcome from now stalled talks with the International Monetary Fund on a standby facility and Paris Club negotiations are in sight.

Fixated by historic relations with the US, 9,000 miles to the west, few Filipinos focus on how Japan, 500 miles to the north, is increasingly involved in the country's future.

Bhutto urged by US to spray opium poppies

MS BENAZIR BHUTTO, Pakistan's new Prime Minister, is facing mounting US pressure to begin aerial operations to wipe out the country's poppy crop after a new report said that illicit opium production in Pakistan more than doubled last year to at least 160 tonnes, Christina Lamb writes.

The report released by the International Narcotics Control Board, says the increase is because of curtailment of aerial and ground operations to eradicate poppy cultivation. Attempts to send up a US crop-duster aircraft failed when tribal growers armed with the latest Soviet and US weaponry purchased from the Afghan mujahideen, threatened to shoot it down.

Pakistan is one of the world's largest suppliers of heroin and itself now has more than 700,000 addicts.

Pakistan gets ready for further influx of Afghan refugees

By Christina Lamb in Peshawar

PAKISTAN is making plans for a huge new influx of refugees from Afghanistan. Authorities believe that once the withdrawal of Soviet troops is complete, fighting will escalate, particularly around big towns such as Jalalabad where Mujahideen have been waiting for the Soviet forces to leave before attacking.

The new influx comes at a time when per capita aid to the estimated 3m refugees inside Pakistan has been slashed. Mr Saeed Akhtar, the Commissioner for Refugees, complains "emphasis has very much shifted from assistance to refugees in camps to reconstruction inside Afghanistan". Aid to the camps has been cut so much that the foodbasket which comprised wheat, sugar, edible oil, skimmed milk and tea now contains only wheat and oil.

According to Mr Akhtar new camps have been set up in Kohat in the Frontier Province, which already plays host to most of the refugees. Since the Soviet withdrawal began in May only 100 families have returned home while more than 20,000 have arrived in Pakistan. Most of these have not been registered and are thus not entitled to rations. Mr Akhtar admits: "It's now got to the stage where almost every registered family is hosting an unregistered family."

Registration has always been a controversial issue. In order to register, refugees must be card-carrying members of one of the seven resistance parties. Many refugees claim they were told they could register immediately if they joined the radical Hezbi Islami led by Mr Gulbuddin Hekmatyar favoured by Pakistan's late President Zia, while members of moderate parties may have to wait a year.

In a survey of camps near Peshawar most refugees registered in the last year were Hezbi members or had bribed camp officials around £100, an impossible amount of money for a family which left Afghanistan with only the clothes on their backs.

Mr Akhtar explains that registration is now impossible in camps in border areas such as Peshawar, Kurram and Bajaur agency which are overcrowded to such an extent that in Kurram there are three refugees for every one local. However, refugees elect to remain unregistered in these areas than go to camps further from the border, so that the male members have easy access to Afghanistan where they will spend much of their time fighting; they also prefer to stay close to Peshawar where some work is available.

Up till now relations between refugees and locals have been remarkably good but once the Soviet forces have gone many Pakistanis expect their Afghan brothers to return and tension is already mounting.

"This is one of the few places in the world where no refugee is behind barbed wire but they have stripped our forests and landpasture and now people are praying they will go. While they are here we will continue to suffer terrorist activities and now every time there is a bomb thousands come out on the streets in protest," Mr Akhtar said.

Most refugee families have at least two members engaged in the war and the camps are well armed with everything from Kalashnikovs to anti-aircraft guns. Mr Aftab Sherpao, of the Frontier Province, fears protracted fighting in Afghanistan could spread into Pakistan. "If they start fighting among themselves it will be difficult this side when they are so well armed. A bloodbath in Pakistan cannot be ruled out."

Mr Akhtar says if more refugees appear tension between them and locals in Peshawar, squeezed out of employment by Afghans ready to accept a lower wage, will be unbearable. "Up till now we have not forced them to move elsewhere but this time we have 350 trucks ready at the border post of Torkham and they will have no choice but to go to the camp at Kohat."

Bush officials learn language of tax 'rises'

By Peter Riddell in Washington

AN elaborate, and deliberately confusing, exercise in semantics has started in Washington as the incoming Bush administration and Congress begin discussions on how to reconcile the need to reduce the Budget deficit with the President-elect's much-repeated pledge "read my lips, no new taxes".

The question is, when is a tax increase not a tax increase? When it is a loophole, base broadener, revenue enhancer and user fee, part of off-setting collections or merely cats and dogs.

The Reagan Administration frequently denied raising taxes, yet its January 9 budget included new fees on loan-guarantee programmes and other levies, while retired Medicare recipients will this year have to pay increased premiums to obtain more coverage under the catastrophic health insurance bill.

Now, Mr Richard Darman, the new Budget director, has added to the ambiguity in written answers to questions from the Senate Governmental Affairs Committee before his confirmation hearings on Thursday.

He has suggested that an increase in the federal petrol tax might in some circumstances (when, for example, linked to road and bridge building and repair) be considered a user fee. Similarly, increases in taxes on alcohol and tobacco might also be regarded as user fees when linked to health programmes.

Mr Darman has also told the committee that other revenue increases that might be defined as something other than a tax increase include: ending the deduction for interest incurred on certain types of borrowing; taxing currently tax-free fringe benefits provided by employers; taxing more of the social security benefits paid to upper-income recipients; imposing a tax on imported oil; and extending the expiring 3 per cent excise tax on telephone service.

In the Washington patois these devices would fall into the categories of revenue enhancers (anything other than an increase in tax rates), loophole closers (removing tax breaks for certain taxpayers), base broadeners (applying an existing tax to more income or people), user fees (charges for specific services or dedicated to particular purposes), offsetting collections (recouping government expenses), and cats and dogs (tiny sums, just in the millions).

The shrewd and witty Mr Darman is aware of the limits of such linguistic ingenuity. He told the committee that "in the end such definitional matters are political: applying the old 'if-it-looks-like-a-duck rule', if it looks like a tax to most Americans, it's a tax". According to the latest Time/CNN poll, seven out of 10 Americans believe they will be looking at a duck some time later this year after all the interminable budget negotiations. They think the Bush Administration will have to raise taxes.

Perez picks key Cabinet ministers

By Joe Mann in Caracas

VENEZUELA'S President-elect, Mr Carlos Andres Perez, has named his key Cabinet members to be installed when he takes office on February 2.

The Minister of the Interior, the second most important figure after the president, will be Alejandro Izaguirre, 64, the secretary general of the ruling party, Democratic Action (AD). The Foreign Minister will be Enrique Tejera Paris, 69, an AD official with international experience.

The top economic ministers will be Eglee Iturbe de Blanco, Minister of Finance, Miguel Antonio Rodriguez, Minister of Planning, Celestino Armas, Minister of Energy and Mines, Moises Naim, Minister of Development and Fanny Bello, Minister of Agriculture.

Mrs Iturbe, 49, a former president of a commercial bank, is currently Vice-Minister of Finance. Mr Naim, a 36-year-old academic and persistent critic of government inefficiency has been given the task of promoting industrial growth by running the highly bureaucratic Ministry of Development.

Mr Edgard Leal, an oil executive, is expected to be put in charge of renegotiating Venezuela's $25.6bn (£14.5bn) foreign debt.

Sarney's plan aims at currency credibility

But the Brazilian government's abilities are also under examination, says Ivo Dawnay

BRAZIL'S latest emergency economic package – the so-called Summer Plan – attempts, like all its ill-fated predecessors, to revive the idea that money can retain its value.

Unlike previous "shocks," however, it spells out in much greater detail and with unprecedented economic orthodoxy, how it intends to do it. But, at its heart, the Summer Plan depends on the credibility of its authors in the Government.

With inflation rates approaching 30 per cent a month – the equivalent annualised of nearly 2,000 per cent a year – confidence in the cruzado had fallen to zero. The workers' pay packet or the businessman's profit needed to be spent immediately, whether it be on family groceries, restocking, gold or black dollars in a vicious circle of consumption and flight from the currency.

It is for this reason that the ending of inflation-indexing and a fierce credit squeeze are the most vital immediate components in the package announced by President José Sarney in his nationwide television address on Sunday night.

Killing inflationary expectations – the inertial factors in the relentless rise in prices – is the key to all shock prescriptions. Yet this is the first time Brazil has dared to outlaw the long-established indexation process.

In the longer term, the renewed squeeze on government spending, dictated by a number of important provisions in the plan, and the de-indexation of wages next month, will play their part in removing the inflationary tendencies of the economy.

Alongside these elements, the fireworks in Mr Sarney's box of economic tricks are almost more important as symbols than as measures – the closing of ministries, for example, or the creation of the New Cruzado by disposing of three zeros, and even, arguably, the price freeze itself.

However, if a large part of inflation is indeed psychological, then such symbolism is essential. The decision to include a 17 per cent devaluation, which is not necessarily vital in itself, was done for this purpose – to give a "mattress" of security for the exchange rate in the first crucial weeks.

Yesterday, initial reaction to the Summer Plan appeared cautiously favourable. But most Brazilian newspapers emphasised that the success of the programme depends more upon the Government's attempts to eliminate the fiscal deficit than the private sector's efforts.

The first general test of Brasilia's determination comes tomorrow, when markets open after two officially imposed bank holidays. With the formal abandonment of the inflation-linked OTN – a government paper used by business as a currency – the Central Bank will have to raise real interest rates sharply to avoid a flight of capital into non-cruzado assets.

The first general test of Brasilia's determination comes tomorrow when the markets reopen

In real terms, these interest rates already stand at near 30 per cent a year, and could now go up in the short term to the stratosphere. The cost of this will be felt in the price of servicing Brazil's internal debt, standing at about $50bn, which will inevitably increase. This redoubles the need for financial stringency elsewhere.

While promising to act tough on its own accounts, however, the Government has been intelligent enough to allow flexibility to the private sector.

Mr Mailson da Nobrega, the Finance Minister, has emphasised that private contracts may continue to be index-linked, provided the linkage is not made for periods of less than three months or to foreign currencies.

The de-indexing of salaries has proved more controversial. One union leader has warned, probably in vain, of a general strike over the abandonment of existing links to prices. Under the plan, workers will receive one more month's adjustment before new negotiations take place.

Public sector workers appear to face a freeze, however, as the Government attempts to rein in its pay bill.

Beyond the measures on de-indexation and the squeeze on credit and public sector spending, many elements in the package appear to sceptics to be related more to political presentation than to producing substantial savings.

Serious doubts are being expressed over the Government's readiness to dismiss 60,000 civil servants whose jobs are unprotected by law. The closure of five ministries and their merger with others may only make marginal savings.

Similarly, the external elements in the package, such as an end to the right of foreign creditors to re-lend debts falling due to new Brazilian borrowers, and the suspension for one month of debt conversion auctions, are aimed at reducing the pressure for monetary expansion. Their impact is likely to be marginal.

One somewhat sinister aspect of the plan, still inadequately explained, is the decision to centralise all foreign exchange operations through the central bank. This move could be the precursor to new unilateral action to delay or suspend payments of interest on Brazil's $115bn foreign debt.

In the end the real test of the Summer Plan and the Government's efforts to cut its expenditure will come when the price freeze brake is lifted – almost certainly within two months.

While the mood in Brazil appeared more optimistic yesterday, a defeatist element remains. One newspaper reported that an independent economist, involved in formulating the plan, was asked by a Finance Ministry official what he, personally, should do with his savings.

"Buy dollars," came the instant reply.

Argentina extends prices plan

By Janette Staubus in Buenos Aires

ARGENTINA'S government has reached an agreement with private business organisations to extend the "Plan Primavera" economic measures until the end of June.

The plan, launched last August, has succeeded in reducing monthly inflation from more than 25 per cent to less than 7 per cent in the past two months. This has been achieved by winning the consent of private producers to voluntary restraint on price rises, currently set at 4 per cent per month.

The new agreement, reached last week, maintains the 4 per cent limit. However, if monthly inflation exceeds 5 per cent, the price guideline may be adjusted to compensate.

The Government has also agreed to phase out the dual exchange rate system. Agricultural producers have been especially irritated by this arrangement, which has allowed the central bank to buy cheaply the dollars earned by foreign exports and to resell them at a higher rate. Unification of the exchange rate will take place gradually, until July for industrial exports and December for agricultural goods.

The Government will continue to limit the depreciation of the austral currency to 4 per cent per month. Exchange rate management has been at the heart of the "Plan Primavera", but the Government's rigid limitation of the currency to 4 per cent monthly devaluations when inflation has risen faster has led to an overvalued currency.

● The World Bank has agreed to supply Argentina with credits worth $100m in 1989 to tackle its energy crisis.

Jamaica to vote on February 9

By Canute James in Kingston

AFTER several months of speculation, Mr Edward Seaga, the Jamaican Prime Minister, has called a general election for February 9. He is hoping to win an unprecedented third consecutive term.

This will be the first contested general election since 1980, when Mr Seaga's conservative Jamaica Labour Party defeated the social democrat People's National Party, led by Mr Michael Manley.

The PNP boycotted a snap vote called by Mr Seaga in 1983, in a row over the electoral register. But in municipal elections 30 months ago the PNP won a handsome victory, and independent public opinion polls have since suggested that Mr Manley will be returned to office.

The 1983 boycott gave Labour total control of the last parliament and Mr Manley said yesterday that the election would lead to what he called "full democracy".

The economy will be the central issue. Under Mr Seaga's administration there have been three consecutive years of growth following a period of stagnation.

But it appears there is disaffection with Labour among poorer Jamaicans who have suffered from a breakdown in social services. These were largely ignored as Mr Seaga implemented policies agreed with the International Monetary Fund and World Bank.

Last August Mr Seaga and Mr Manley signed a code of behaviour for candidates in an attempt to reduce political violence. But three people were shot and injured early yesterday after the rally on Sunday night at which Mr Seaga announced the election date.

Canada eyes market for tritium exports

By David Owen in Toronto

CANADA is pondering whether to take advantage of a potentially lucrative export opportunity which has opened up partly as a result of a shake-up in the US nuclear industry.

The opening is in tritium – a scarce and valuable radioactive form of hydrogen. The substance, which is a comparatively mild radioactive isotope, has the enduring virtue of glowing unstintingly in the dark for up to 20 years. It is used commercially in tiny quantities to illuminate watches, the instrument panels of aircraft and submarines, and some airport runways.

It is also a critical ingredient in most nuclear warheads, employed as a means of increasing their explosive power. Since it decays quite rapidly – at a rate of some 5.5 per cent a year – tritium-bearing weapons must be replenished repeatedly.

Among the US nuclear plants shut down for safety reasons is the ageing Savannah River factory in South Carolina, which was the only US tritium-producing facility. This has coincided with the opening by Ontario Hydro, the Canadian provincial utility, of a tritium extraction plant on the outskirts of Toronto.

Tritium is an unwanted by-product of the Canadian Candu nuclear reactor.

Ontario Hydro (and the provincial government) is debating whether to apply for a licence to market the material.

Though tritium is considered too benign to be subject to International Atomic Energy Agency safeguards, its sale is strictly regulated by the Canadian authorities. Mr Joe Clark, External Affairs Minister, has said no export licences or permits for tritium will be issued unless the Canadian Government is satisfied the material will not be used for nuclear weapons or other nuclear explosive purposes. But Ottawa has indicated it is prepared to sanction exports for specified fusion projects.

WORLD TRADE NEWS

US group wins $550m Saudi army contract

By Finn Barre in Riyadh

FMC, the US manufacturer of military equipment, has beaten British, French, and Brazilian competition to secure a $550m (£305m) contract to supply the Saudi Arabian army with 200 Bradley infantry fighting vehicles.

The closest competitor to the Bradley was the Warrior vehicle produced by the UK's GKN. It is thought that the Saudi government decided to buy the American vehicle in part as a consolation for its award of two major deals for the purchase of fighter aircraft to Britain.

In a separate development, Racal, the British telecommunications manufacturer, has signed a deal worth hundreds of millions of dollars to supply military tactical radio kits for Saudi manufacture. The kits are to be supplied to the Advanced Electronics Company (AEC), one of the companies established under a Saudi-US offset investment programme.

AEC will first build the radios from kits, but later an increasing percentage of each radio will be produced locally. The value of the contract has not been officially disclosed, but industry reports say it is worth between $300m and $500m.

The next major arms purchases facing the Saudis are for armoured cars for the Saudi National Guard, and new battle tanks for the army.

The competitors for the tank deal are the American M-1 Abrams, the British Challenger, the French AMX-40, and the Brazilian Engesa Osario. The Saudis wanted the West German Leopard-2, but Mr Hans-Dietrich Genscher, the German Foreign Minister, vetoed the proposal.

Poland clinches aircraft financing

By Norma Cohen

POLAND'S state-owned airline, Lot, is raising $160m (£88.6m) from a group of Western commercial banks, the country's first long-term loan from the private sector since 1980.

The loan will be used to finance Poland's first-ever purchase of Western aircraft, three Boeing 767s especially designed for long-range travel.

Poland was said to be particularly anxious to upgrade the quality of its fleet, which, until now, has consisted solely of Soviet-built aircraft.

However, these have proved unable to compete with US-made aircraft offering non-stop service from New York to Warsaw, and the Polish company has been losing market share. The flow of visitors from the West provides an important source of badly-needed foreign exchange in Poland.

But bankers cautioned against viewing the loan as a sign that Poland is about to return to the voluntary credit markets for fresh funds.

Significantly, banks will avoid classifying the loan as Polish risk on their balance sheets by using a complex financing arrangement requiring insurance cover obtained through Lloyd's of London insurance syndicates.

This allows banks to avoid regulators' requirements that they set aside reserves against the debts. The technique has been used for several previous aircraft financings, including a loan in mid-1987 to Ethiopian Airways for the purchase of three Boeings.

Terms of the loan require Lot to establish an offshore subsidiary company, which will be the formal owner of the aircraft, and it, in turn, will lease the aircraft to Lot.

The offshore company has obtained an insurance policy protecting the lenders against their inability to repossess the aircraft if Lot does not repay the loan. While aircraft may be easily repossessed after a flight abroad, taking possession of them within Poland would be virtually impossible.

Because insurance syndicates are unwilling to provide such a policy for longer than three years – Lot's financing is a 12-year term loan – the loan is deemed to be in default if the policy cannot be renewed.

The loan carries a margin of 1 per cent over London inter-bank offered rates, well above that on most aircraft financing. Citicorp has been awarded the mandate to arrange the loan.

In 1981 Poland rescheduled its roughly $35bn in external debts, including over $9bn in loans to commercial banks.

● AVIATION officials from China and Britain yesterday began talks on air links with services to Hong Kong believed high on the agenda, Reuter reports from Peking.

A British embassy official said that the two sides held the first of four days of talks in the Chinese capital and that Britain was "looking for expanded opportunities for both sides."

He declined to give other details.

Airline officials in Hong Kong have long complained that China's national carrier, the Civil Aviation Administration of China (CAAC) has too big a share of the market between Chinese cities and the British colony.

Industry officials say China wants to be able to pick up passengers in Hong Kong en route to Britain, a right it is now denied.

British government officials were joined by representatives of Hong Kong's Cathay Pacific Airways, Hong Kong Dragon Air and British Airways while the Chinese team included officials from CAAC.

Britain and China last met to discuss air services in June 1987.

● STERLING AIRWAYS of Denmark has ordered three Boeing 757s. The deal is worth $150m and delivery will start in June 1990. All the aircraft will be powered by Rolls-Royce RB211-535E4 engines.

The Copenhagen-based carrier will operate the 757s with 219 seats in an all-economy configuration.

Indonesian bank in Vietnamese venture

VIETNAM plans a joint venture with an Indonesian bank based in West Germany in April to attract foreign investment and help revive the economy, a senior banking official said yesterday, Reuter reports from Ho Chi Minh City.

Mr Tran Anh Tien, vice-director of the Bank for Industry and Trade, said his bank had signed an agreement last month with the Summa Handelsbank AG of Düsseldorf, West Germany.

The joint venture bank, to be called Indovina Bank, would be the first such enterprise established in Vietnam.

It was made possible by a liberal foreign investment code passed a year ago aimed at opening the stagnant economy to non-communist investors as part of a reform programme easing tight central controls.

Formal approval for the venture is still awaited from the Ministry for Foreign Economic Relations in Hanoi.

Mr Tien said informal agreement had already been given and premises were already being prepared for Indovina, whose headquarters will be in Ho Chi Minh City.

The prescribed capital of the new bank will be $10m, with the Indonesian partner putting up $5m. The contract foresees the life of the venture as at least 20 years.

According to the agreement, no corporate income tax will be paid in the first two years, and 10 per cent in the three succeeding years.

There will be a 5 per cent tax on repatriated profit but other Vietnamese taxes will be waived.

The Vietnamese government will guarantee repatriation of profits, and office and other equipment can be imported for the bank duty free.

The Bank for Industry and Trade was set up in October, 1987, as the first bank run on commercial lines since the communist takeover of South Vietnam in 1975.

It is the only bank in the country apart from the state bank.

Its main function has been to raise capital through bonds and deposits for short-term loans to finance trade and low-level production.

Mr Tien said it was the first phase of a new approach to banking eventually involving more commercial banks lending for bigger investments.

"So far all big investment is still done through the state bank. This is part of a learning process, to get experience to expand," he said.

Gatt to examine complaint against US

By William Dullforce in Geneva

THE GENERAL Agreement on Tariffs and Trade (Gatt) is to investigate Sweden's complaint against US anti-dumping duties on imports of stainless steel pipes and tubes.

Gatt's anti-dumping committee yesterday agreed at a special session to a Swedish request that it appoint a disputes panel.

Sweden claims that the 26.46 per cent extra duty applied in 1987 by the US to imports of some 5,000 tonnes a year of Swedish seamless pipes and tubes is incompatible with the Gatt anti-dumping code.

The duty was slapped on the products of Sandvik AB after six US special steel producers had complained that their business was being injured by dumped imports from Swedish companies.

The Swedes claim that an investigation by the US International Trade Commission failed to show any significant increase in dumped imports or any significant price undercutting.

A further point in the Swedish case is that the ITC did not take into account the wide fluctuations in exchange rates between 1984 and the middle of 1987 when comparing Sandvik's export prices to West Germany with its US prices.

Finland pledges subsidies to shipbuilders

By Olli Virtanen in Helsinki

THE FINNISH Government has promised subsidies of "more than 10 per cent" to the country's ailing shipbuilding industry which plans to merge all three existing companies into one group. However, it has refused an invitation by the companies, Wartsila, Rauma-Repola and Hollming, to take an equity stake.

The Government's decision comes in a report by a shipbuilding industry committee, which included chief executives of all the companies as well as high ranking civil servants. They agreed that the Government should give more aid but differed considerably on the ways to bring the loss-making industry on a firmer footing.

The companies wanted the state to invest FM250m ($59m) equalling 20 per cent of the sharecapital in the new company, which would be based on the Wartsila Marine, currently Finland's leading shipbuilding company owned by Wartsila (70 per cent) and Valmet (30 per cent). Rauma-Repola and Hollming would invest FM300m-FM400m between them, sharing an equity stake of about 30 per cent.

Alternatively, the companies sought a FM500m government loan, FM300m of which could be written off against future losses. This should be coupled with increased guarantees, various tax concessions in the merger, and subsidies for research and development.

The Trade and Industry Ministry, however, has refused to make an equity investment. It also expressed reservations about a loan tied to future results. Direct subsidies, said Mr Ilkka Suominen, the Trade and Industry Minister, would have to be considered case by case, in the light of official EC subsidies of 28 per cent to shipyards which compete directly with Finland.

Arab airlines plan leasing company

ARAB airlines and banks plan an aircraft purchasing and leasing company to meet Arab demand for more than 200 planes in the next decade, said Mr Adli Dajani, secretary general of the Arab Air Carriers Organisation (AACO), Reuter reports from Amman.

The proposed Arab Aviation Finance Company would group three Arab financial institutions and 12 Arab airlines.

"We hope to declare the company's birth in April," Mr Dajani said, after representatives of the airlines and banks met in Amman to discuss the project. He said that a study of Arab airlines' fleet requirements over the next decade showed they would need at least $10bn to buy the aircraft.

"You can't go wrong when they [Arab airline companies] will need at least 200 new aircraft in the next 10 to 15 years," Dajani said. "The business is there."

He said he hoped the Bahrain-based scheme, with a projected paid up capital of $200m, would be very profitable.

US consultancy firm Arthur D Little is expected to present a final study and assessment of the project to a steering committee on February 15.

The steering committee was established in 1987 and consists of Mr Dajani, chairmen of the national carriers of Jordan, Kuwait and Morocco and representatives of the Gulf International Bank, Gulf Investment Company and International Arab Investment Bank.

Mr Dajani said that a suggested ownership structure would give 25 per cent to the three founding funds and 25 per cent to the 12 airlines. The rest of the capital would be raised from markets in participating countries.

The national carriers involved in the project range from Morocco to Kuwait and Sudan to Somalia. The AACO is an Arab League organisation of 16 airlines.

Boost for Japanese export credit

JAPAN'S Ministry of Finance (MoF) is expected to earmark a 1988-89 supplementary budget of Y90bn ($714m) to fund trade insurance programmes, a Ministry of International Trade and Industry (Miti) official said, Reuter reports from Tokyo.

MoF has agreed in principle to Miti's request for the additional funds for the year ending March 1989. The money will be put into a special account to fund export, import, investment, cross-trade and other insurance.

The amount of export insurance defaults paid by Miti has increased dramatically since the onset of the international debt crisis in 1982.

Miti is also pressing MoF to put an extra Y3.2bn in its general account allocation for 1989-90 to help boost its trade insurance capital, Miti officials said.

MoF is providing Miti with the Y90bn on the condition that Miti marks up trade insurance premiums by an average 40 per cent from April 1. This would raise Miti's premium income by Y10bn a year.

Miti wants to boost its trade insurance capital to Y100bn from the current Y7bn so that it can expand insurance coverage to increase trade flows with debtor nations and so ease their current account burdens.

China buys jets from McDonnell

MCDONNELL DOUGLAS of the US has signed a contract to sell five of its new MD-11 jet aircraft to the Civil Aviation Administration of China (CAAC) for about $500m, McDonnell Douglas official said yesterday, AP-DJ reports from Hong Kong.

Mr Peter Chang, the aircraft maker's director of business development for China, said that the sale was the first phase of a larger package still being negotiated with CAAC.

During its next five-year plan from 1990-1995, CAAC is planning its largest fleet expansion ever, Mr Chang said. McDonnell Douglas co-produces the twin-engine MD-82 jet with China in Shanghai, and Mr Chang said that the joint venture had helped the company win the MD-11 aircraft sale.

Four of the MD-11s CAAC will buy are passenger jets and the fifth is a cargo aircraft. The first two wide-bodied, long-range jets will be delivered in the summer of 1990, making CAAC one of the first airlines to receive the aircraft.

Brussels investigates cassette 'dumping'

By Tim Dickson in Brussels

THE European Commission announced yesterday that it has launched an investigation into claims that audio-cassettes and audio-cassette tapes from Japan, South Korea, and Hong Kong are being unfairly dumped in the European market.

News of the latest inquiry, which follows the imposition just before Christmas of stiff anti-dumping duties on video-cassettes and video-tape from South Korea and Hong Kong, will arouse interest in trade circles as much as anything for the fact that the British-owned territory is again being targeted in a Brussels inquiry.

The opening of the inquiry follows a complaint from European producers represented by the European Council of Chemical Manufacturers' Federation (CEFIC), which alleges that the dumping margins are "significant."

In the case of Korea and Japan, the domestic price and the export price of the products have been compared, while the allegation of dumping against Hong Kong exporters is based on a comparison of the "constructed value" of the items (cost of production plus a reasonable profit margin) with the price charged for export to the EC.

CEFIC says EC imports from the three Far East countries rose by 23 per cent from an equivalent of 190.6m. audio cassettes in 1984 to 234.5m. in 1987. The cumulative increase in their market share was from 65 per cent to 71 per cent over the period.

The complaining parties also suggest that import prices charged by the Far East companies – among them TDK and Sony of Japan, and Sun Electronics of South Korea – undercut Community producers by amounts of between 3.4 per cent and 28.5 per cent.

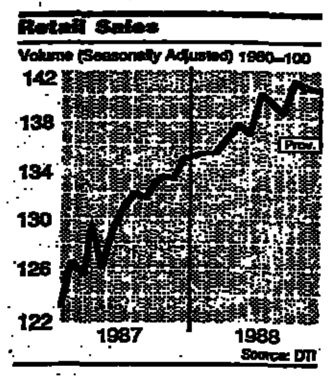
The impact on EC industry is quantified as a reduction in production from 173m. units in 1986 to 151m. units the following year, and a drop in capacity utilisation from 86 per cent to 65 per cent between 1984 and 1987, as well as unspecified job and investment consequences.

UK NEWS

Interest rates put brake on retail spending

By Ralph Atkins and Maggie Urry

SIGNS that high British interest rates have begun to hit consumer spending were provided yesterday by official figures showing a dip in retail sales for December.



Provisional figures from the Department of Trade and Industry showed that sales volumes dropped by 0.1 per cent after adjustment for normal seasonal variations, the second consecutive monthly fall.

The figures prompted speculation that bank base rates have reached a plateau at 13 per cent, with consumer spending growth starting to slow to more sustainable levels.

Gilt-edged securities rose strongly after the announcement, with prices of long-dated stocks closing nearly a point higher. The FT-SE 100 share index, also boosted by a strong dollar, ended 9.7 points higher at 1,871.8.

The DTI figures match the results of the Confederation of British Industry/Financial Times distributive trades survey published yesterday. This showed retail sales growth easing in December and retailers gloomy about prospects this month. However, it will be some time before a trend is firmly established. Recent months' sales volumes have jumped about and the latest figures could be revised.

The Retail Consortium, the trade body which represents retailers, said that though shops were generally pleased with December trading, they were more concerned about what was happening this month as the latest mortgage rate increases came through to consumers.

The provisional index of seasonally adjusted retail sales volumes stood at 140.3 (1980=100) in December, compared with 140.4 in November. In 1988 as a whole, sales volumes were 6¼ per cent higher than in 1987.

Lex, Page 18

Social Security to move 1,000 jobs from London

By Alan Pike, Social Affairs Correspondent

MORE THAN 1,000 jobs in the department of social security are to be moved from London to the regions in an attempt to improve service.

Mr John Moore, Social Security Secretary, said yesterday that the change would mean a better deal for claimants in the capital and more jobs in the regions.

But the announcement was followed by an immediate protest walkout by Department of Social Security staff at offices in the London area. Industrial action is expected to continue today.

Social security offices in Glasgow will benefit from 430 extra jobs as a result of the change. Another 350 new posts will be created in Belfast, and 250 in Wigan.

Mr Moore's decision follows a report last year which recommended improvements in the regional organisation of the social security system.

Mr Michael Meacher, Labour's Employment spokesman, said claimants faced a year of benefit chaos, with an untried computer system promising mistakes and delays.

Dagenham slips into slow lane

Kevin Done looks at the shift of Sierra output from Britain

FORD sought yesterday to allay fears at Dagenham about the implications of moving away production of the Sierra car over the next 18 months to Genk in Belgium. But there can be little doubt that Dagenham is facing a net loss.

Dagenham will remain an assembly site for Ford's small car, the Fiesta, and the company is promising to maintain output of the one model at the present joint output level for both Fiesta and Sierra, around 1,100 cars a day. The small car is a less complex vehicle to build, however, and Dagenham will have lost about 500 jobs from its current 11,000 strong workforce when the transfer of Sierra assembly is completed in the summer of 1990.

By contrast Genk, Ford's production site in Belgium for both Sierra and its best-selling Transit panel van, is to gain up to 2,000 jobs as Ford moves the production of around 100,000 Sierras to the plant.

Clearly the UK, and Dagenham in particular, has been a significant source of recent labour unrest and Ford argued yesterday that Dagenham was still failing to meet the levels of productivity and quality it is achieving at its plants in continental Europe.

In a letter to its employees, signed by Mr Jan Ubaghs, operations manager for Dagenham body and assembly operations,Ford said yesterday: "Despite major efforts in recent years the necessary improvements have not yet been made and the plant is struggling to meet quality, volume and cost targets comparable to continental plant performance with the complexity of building two separate product lines, Sierra and Fiesta."

If the plant was to have the ability to match continental quality and efficiency the company had to reduce the potential levels of complexity.

This new blow to Dagenham is only the latest in a series of moves which have reduced the importance of a location that was once one of the biggest auto industry complexes in Europe.

In the early post-war years Dagenham, east of London, was a totally integrated site in line with the industry wisdom of the age where the iron ore arrived on the Thames at one gate and finished cars emerged at another. The site had everything from coke ovens, a blast furnace and foundry to the press shops, paint shops and assembly lines.

Dagenham is still an important element in the Ford of Europe empire, in particular for engine production, including in 1988 an estimated 172,000 1.6 litre diesel engines, 95,000 2.5 litre diesels, and 23,000 diesel units for the Iveco Ford Cargo trucks.

This year it is building up to a production capacity of 240,000 units a year of Ford's new 1.8 litre diesel engine, and production has also started of a new 2 litre DOHC petrol engine, which will begin to appear in Ford's Sierra and Granada models around the middle of the year.

The industry wisdom of concentrating all production of components and finished vehicles at one site changed long ago, however, and Dagenham's relative importance has waned rapidly as Ford has invested in a series of new sites not only in the UK but also in the rest of Europe.

In the UK itself it has established car assembly at Halewood, Merseyside and Transit van production at Southampton. Late last year it unveiled plans for investing £725m at its Bridgend engine plant in South Wales, itself a greenfield site at the beginning of the 1980s.

By the summer of 1991 Ford hopes to start production of a new engine range at Bridgend building up to a maximum output of up to 850,000 engines a year. It will be the largest single investment – in nominal terms – ever undertaken by Ford or any manufacturer in the UK motor industry.

Bridgend is a further example of Ford seeking to concentrate production of single major components or single vehicles at one site, but the philosophy is of little consolation to Dagenham assembly workers.

While Sierra production is concentrated at Genk, however, Dagenham will be only one of three sites for the production of the Fiesta in addition to Valencia in Spain and Cologne, West Germany.

Mr Allan Gilmour, head of Ford's international automotive operations, makes no secret of the fact that Ford wants to increase its present West European production capacity, but clearly Dagenham does not play any great part in these plans. He rules out the building of a new assembly plant, but says that considerable gains can be made by breaking bottlenecks and simplifying production processes as well as increasing the degree of automation.

The winners for the moment appear to be Genk, Valencia, Cologne and Halewood.

Ford tops fleet sales, loses market share

By John Griffiths

FORD remained the clear leader in the UK's mainstream fleet car market last year, but its share of sales in the sector – comprising supplies to companies operating 25 cars or more – was reduced, mainly as the result of gains by Rover group and Peugeot.

Vauxhall, whose new Cavalier was introduced in the autumn and is still in short supply, also lost ground slightly in terms of market share, even though its unit sales to the fleets were up.

Statistics circulating inside the industry show that Nissan again made only very slow progress in the fleet car market last year, despite the fact that its Bluebird model, built at Washington in north-eastern England, was classified as fully "British" from the beginning of 1988.

UK FLEET CAR SALES*

	1988	1987	Market share (%)	Change (% point)
Ford	292,631	267,606	44.81	-4.5
Vauxhall	156,620	131,160	23.98	-0.18
Rover	123,316	90,072	18.88	+2.29
Peugeot	22,738	10,674	3.48	+1.52
Renault	18,133	16,222	2.78	-0.21
Fiat	10,262	6,507	1.57	+0.37
Nissan	8,760	4,753	1.34	+0.47
VW/Audi	6,804	4,753	1.04	+0.17

* To companies operating fleets of 25 cars or more

With overall company profitability remaining buoyant throughout the year, the share of total new car sales accounted for by company fleets grew by 2.5 percentage points to 29.65 per cent, representing 653,099 units in a record market of 2.203m vehicles.

Ford, which insists that the adverse effects of its two-week strike last spring lasted throughout the year, saw its share of the sector fall by 4.5 percentage points to 44.81 per cent, or 292,631 cars.

This was still almost double the penetration achieved by Vauxhall, whose 23.98 per cent share represented a drop of 0.18 of a percentage point from 1987.

The biggest gain was made by Rover, which sold 33,244 more cars to the fleets than in the previous year.

Its total of 123,316 units sold represented a share of 18.88 per cent, a rise of 2.29 percentage points on 1987.

Peugeot almost doubled its penetration of the fleet market, albeit from a very low base, helped by improved supply of the British-built 405 saloon model.

Its 22,738 sales accounted for 3.48 per cent of the total, compared with 10,674 sales and 1.97 per cent in 1987.

Nissan sold 8,760 fleet cars, accounting enough for a 1.34 per cent market share; this compares with 4,746 sales and a 0.87 per cent share in 1987.

The company thus remained *behind some traditional* importers such as Renault, with 2.78 per cent, and Fiat, with 1.57 per cent.

Car dealers offered volume incentives in market share battle

By John Griffiths

THE UK's three biggest car makers, anxious to make a "fast start" in a year when sales are expected to decline, have begun offering volume-related financial incentives to their dealers.

Such a practice has not been seen since the height of the retail "car wars" in the mid-1980s.

Vauxhall, Ford and Rover dealers are being given bonuses of up to £300 per car on some models for meeting or exceeding sales targets.

Like many other franchise holders, they are already offering customers manufacturer-backed cheap finance schemes for periods up to four years – *less than four months after* market leader Ford had dropped them saying it could no longer afford them.

The resurrection of such tactics, against a background of the UK's higher interest rates and other market-depressing factors, is causing stirrings of concern that unless restrained it could lead to a return of the disorderly marketing conditions which contributed heavily to Vauxhall's and Rover's losses, and Ford's sharply reduced profits, in the early and mid-1980s.

Ford, the UK market leader which saw its share of UK sales last year fall to 26.35 per cent from 28.81 per cent in 1987, is offering its dealers up to £300 per car until the end of March for meeting volume sales targets on the current Fiesta model, and up to £200 on Escorts and Orions.

The company maintains that it is primarily responding to a "fast start" campaign begun by Vauxhall on January 1. Under this, dealers are being offered a number of incentives, principal among which is up to £300 for meeting volume sales targets on the Nova hatchback. This deal lasts until January 31.

At the same time, however, Ford is known also to be keen to return its own market share to closer to the level of 30 per which it attained during most years in the early and mid-1980s.

Vauxhall, *meanwhile*, has told its more than 600 dealers that with the new model Cavalier, plus other new models to be launched later this year, that it expects them to increase the company's market share to at least 16 per cent this year.

This would represent a rise of some 2.3 percentage points over last year and would require dealers to sell more than 4,000 extra cars this year even if, as many expect, the market falls back to the 2m mark or below this year, after reaching a record 2.2m units in 1988.

The competitive screw is being further tightened by the Rover Group, which is now part of British Aerospace.

Encouraged last year by *having halted the long decline in* its UK market share, the company is also offering dealers volume-related incentives of up to £300 on some of its models.

With even BMW and Audi offering small discounts in the executive car sector, the scene is being set for a highly competitive sales year.

These promotional schemes are more selective than those of the mid-1980s.

These were applied virtually across the volume makers' entire ranges, with some dealers passing on most or all of their official profit margin to customers and relying for their revenue on the incentives schemes.

The latest incentive moves were nevertheless described last night as "premature and unecessary if they become widespread" by Professor Krish Bhaskar of the Motor Industry Research Unit and a respected industry observer.

Vauxhall's incentive on the Nova model provides dealers with £200 per car for hitting between 51 per cent to 75 per cent of a predetermined sales target, and £300 for reaching 76 per cent of the target and more.

Ford dealers are receiving between £100 and £300 for hitting targets on the soon-to-be-replaced Fiesta, as well as between £100 and £200 on the Escort and Orion.

Rover's incentive schemes *include giving its dealers* target-related bonuses of up to £300 on each of its Metro models sold until March 31.

UK NEWS

Court queries decision not to refer Al Fayed deal

By Raymond Hughes, Law Courts Correspondent

THREE JUDGES expressed puzzlement and concern in the London High Court yesterday over the decision by Lord Young, Trade and Industry Secretary, last November not to refer the acquisition of House of Fraser stores group, which includes the London department store Harrods, by the Al Fayed brothers in 1985 to the Monopolies and Mergers Commission.

Lonrho, the international conglomerate headed by Mr Tiny Rowland, is challenging that decision and seeking disclosure of a report into the takeover by the Department of Trade and Industry.

The case is one of some urgency as the statutory period for a monopolies reference expires on January 22.

The judges pointed out that the decision not to refer, for which Lord Young has given no reasons, deprived him of one possible course of action: if the MMC were to find the merger against the public interest he would be able to order disinvestment – requiring the Al Fayeds to sell their House of Fraser shares.

Lord Justice Watkins said the whole purpose of an MMC reference was that "you are putting business affairs into the hands of businessmen – the men best placed to offer advice to the Secretary of State."

Having looked at the composition of the MMC, Lord Justice Watkins added, he found them "a very impressive lot."

Why not go to them? he asked.

Mr Justice McCowan said he was troubled by Lord Young having precluded himself from exercising the disinvestment option. Also, the judge suggested, given the absence of reasons, "is not the court driven to the conclusion that he gives no reasons because he has no good reasons ?"

Lord Young: decided not to refer House of Fraser bid

Lord Justice Mann also said Lord Young was denying himself the disinvestment option.

The three judges were reacting to the defence by Mr John Mummery, representing Lord Young, of the minister's decision not to refer. The decision was made in spite of the fact that his inspectors' report into the acquisition revealed previously undisclosed material facts that had prompted Lord Young to pass the report to the Serious Fraud Office with a view to possible prosecution.

The court will give judgment today on challenges by Lonrho to that decision and also to Lord Young's decision not to publish the report until the Serious Fraud Office has completed its investigation.

Whatever their ruling, the case is expected to go to the Court of Appeal tomorrow, with a view to getting a final judicial ruling before Sunday, when the statutory period for a monopolies reference expires.

Mr Mummery argued that Lord Young had no duty to give reasons for not making a reference to the MMC, nor, he said, was there a practice of giving reasons.

He said disinvestment was not the only, or possibly even the best, way of dealing with such a matter. Others were prosecution, if criminal offences had been committed, or disqualification for up to 15 years from holding office as a director of any company.

Not every case in which a public interest question arose had to be referred. Lord Young was entitled to decide how the public interest would best be served, and to decide that no purpose would be served by a reference, Mr Mummery said.

He said Lord Young had had "masses" of material on which to make his decision: the inspectors' report of their 15-month investigation; the recommendation against a reference by Sir Gordon Borrie, Director General of Fair Trading; and representations from Lonrho.

Mr David Oliver, representing House of Fraser, said Lord Young had been told that the inspectors had vastly exceeded their investigative powers, that their report was therefore privileged, and that Lord Young could not publish it.

Lord Justice Mann asked: "Without knowing what was in it you told the Secretary of State he would publish at his peril?"

Mr Oliver: "Yes, certainly."

IRA pub bomb case referred for appeal

By Alan Pike, Social Affairs Correspondent

THE CONVICTIONS of four people arising from the IRA pub bombings at Guildford, south of London, and Woolwich in the capital's south east, 1974 are to be referred to the Court of Appeal for the second time.

Seven people died and 88 were injured in the attacks, in October and November 1984.

Mr Douglas Hurd, Home Secretary, announced his decision to refer the cases back to the Court of Appeal in a written reply to a question in the House of Commons yesterday, after an investigation by Avon and Somerset police which he ordered in 1987.

Ms Carole Richardson, Mr Paddy Armstrong, Mr Paul Hill and Mr Gerard Conlon were convicted of murder after explosions in two Guildford public houses frequented by military personnel in which five people died. Mr Armstrong and Mr Hill were also convicted of the Woolwich bombing at another pub used by servicemen and women.

There has recently been a renewed campaign for the convictions to be reconsidered by the Court of Appeal. This has been supported by such personalities as Cardinal Basil Hume, Roman Catholic Archbishop of Westminster; Dr Robert Runcie, Archbishop of Canterbury; former Home Secretaries Mr Merlyn Rees and Lord Jenkins, and Law Lords Devlin and Scarman.

Mr Hurd's announcement was welcomed by the Irish Government and Cardinal Tomas O'Fiaich, Roman Catholic Primate of All Ireland, said the decision was "the culmination of the efforts of people in Britain and Ireland who have become convinced of the innocence of these people and have been calling for action in their case."

At their trial the Guildford Four, as they have become known, claimed that they had confessed to the bombings under duress while in police custody. Members of an IRA gang arrested after a siege at Balcombe Street, London, subsequently claimed that they were responsible for the Guildford and Woolwich bombings.

The first appeal in the pub bombing cases reached the Court of Appeal in October 1977 but was rejected.

The Guildford and Woolwich bombings were followed later in November 1974, by the Birmingham pub bombings – the biggest terrorist mass murder in British history in which 21 people died.

In January 1987, the Home Secretary referred the cases of six Irishmen convicted of the Birmingham bombings to the Court of Appeal. The court rejected their appeals last year.

At the time of referring the Birmingham case to the Court of Appeal Mr Hurd decided against taking similar action over the Guildford Four. But he ordered a fresh police investigation in August 1987,

Contractors speed up Chunnel drilling

By Andrew Taylor, Construction Correspondent

PROGRESS by British and French contractors digging the Channel tunnel has improved significantly since the autumn when they were criticised by Eurotunnel, the Anglo-French Channel tunnel group, for delaying the project by up to five months.

British contractors before Christmas were close to the rate of progress they will need to sustain if they are to make up the lost time.

French tunnellers also recently achieved their best performance, completing 25 metres of the seaward drive of the service tunnel in a single day. The French tunnellers on the seaward section are averaging between 65m and 70m a week, compared with an average of 17 metres last autumn.

Contractors digging the service tunnel from the British coast completed 190m in the last full working week before Christmas. They must achieve about 200m a week to return the project to schedule.

Last summer British tunnellers were averaging only about 100m a week.

Eurotunnel and Transmanche Link insist the lost ground can be recovered and that the project will be completed on schedule in May 1993.

Eurotunnel, however, intends to impose financial penalties on Transmanche Link – the Anglo-French consortium contracted to design and build the tunnel – for failing to meet production targets. It has blamed poor management for some delays.

This has angered contractors, who say the postponement of a crucial share issue in 1987 by Eurotunnel meant that work had been delayed.

Rail borer prepares for big scratch

Andrew Taylor examines some benefits of hard-won experience

THE 8.36-metre diameter steel cutting head of the tunnel boring machine which will dig the first of two rail tunnels 40 metres under the bed of the Channel is due to start scratching rock, as its American designer puts it, about the end of February.

When it does it will have had the benefit of hard-won experience gained by the contractors digging the service tunnel. This will stretch between the two rail tunnels and provide the first land link between Britain and France since the last Ice Age.

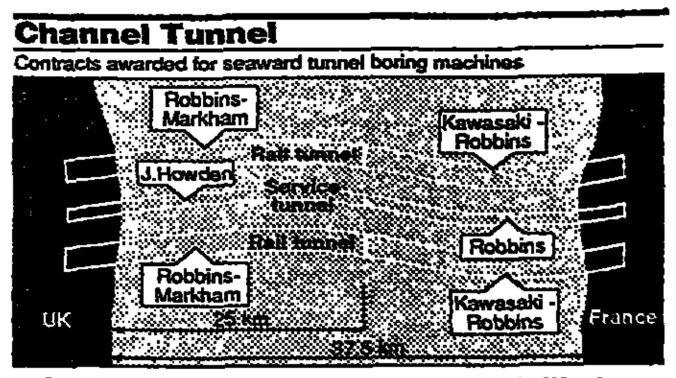
Delays in digging the service tunnel has meant that the project has been running up to five months behind schedule. Progress on the British side has been restricted to about 4.5km out to sea and more than 500 metres inland and on the French side to about 1,000 metres out to sea and about 1,300 metres inland.

The British and French ends of the 50km service tunnel are due to meet next autumn – a deadline which contractors say can still be achieved.

Some of the delays have been caused by the need to modify tunnelling equipment to cope with ground conditions which, under the British coast, have been worse than expected.

Channel Tunnel

Contracts awarded for seaward tunnel boring machines



Robbins-Markham, the Anglo-American joint venture which manufactured the two large tunnel boring machines and which will make the seaward drive from the British coast for the two rail tunnels, has incorporated several design changes as a result of experiences of contractors on the British service tunnel.

So-called trailing fingers which protect machinery from falling rock have been added, and pins which lift the concrete tunnel linings into place have been strengthened after failures on the service tunnel boring machine.

Markham has also rigorously tested the high-speed conveyor belt system which removes the cut rock from the face to overcome any problems caused by waste material falling off.

At the French end of the service tunnel there have been difficulties with a Japanese-designed screw system used to drag the slurry of rock and water away from the tunnel face. The lumps in the mixture have been larger than expected and French contractors say that this has sometimes clogged machinery.

Ground conditions under the French coast, where the chalk is badly fissured and waterlogged, were always expected to be very difficult. Compressors used to power vacuum suction equipment which the French are using to lift tunnel lining into place are understood to have suffered badly from corrosion from salt water.

It is crucial that the tunnel boring machines which will dig main rail tunnels do not suffer similar problems. Delays on the rail tunnels will be much more difficult to recover than on the service tunnel.

Robbins, which has its headquarters near Washington, is a world leader in hard rock tunnelling. It holds the record for high-speed tunnel boring of 127.7 metres a day during the construction of the Oso water supply tunnel in Colarado in 1986.

This compares with the Channel tunnel's best of just over 190 metres a week on the seaward drive of the British service tunnel just before Christmas.

GEC poised to make offer for British Rail Engineering

By Kevin Brown, Transport Correspondent

A HOUSE OF Commons statement confirming the sale of British Rail Engineering to a management and employee buy-out consortium (Mebo) was cancelled at the last minute yesterday after the General Electric Company (GEC) indicated that it was considering an improved offer.

GEC is understood to have approached the Transport Department yesterday morning, by-passing the British Railways Board, which is technically the vendor.

The board announced on Friday that its preferred bidder was the Mebo consortium. This includes Trafalgar House and Asea Brown Boveri, the Swiss/Swedish group which is Europe's biggest railway equipment manufacturer.

Mr Michael Portillo, the Transport Minister, was expected to confirm the board's decision in a Commons statement yesterday afternoon.

However, the statement was cancelled without explanation by the Transport Department.

The department would say only that an announcement would be made "as soon as possible." Mr Portillo is thought to be ready to give serious consideration to a revised offer from GEC, if the details can be sorted out quickly.

However, he is believed to have been prompted partly by fears that the Government could face criticism from the Commons Public Accounts Committee unless every offer is seen to have been explored thoroughly.

The PAC, which monitors the sale of public assets to the private sector, has criticised the arrangements for some previous privatisations sales, such as British Telecom, on the grounds that they were sold too cheaply.

The GEC offer faces a series of hurdles:

● The Mebo consortium would have to be given an opportunity to revise its offer.

Both revised offers would have to be reconsidered by the British Railways Board, which is likely to be unwilling to revise its decision.

The board has been negotiating with the Mebo consortium for a year, and is thought to be anxious to complete the sale within a few weeks.

● The acquisition of Brel would give GEC a dominant position in rolling stock production in both the UK and the European Community.

This might be opposed on competition grounds by the Office of Fair Trading and the European Commission.

● The proposed sale to the Mebo consortium is supported by Brel's 8,000 workers, the railway trade unions and the Labour Party, all of which would oppose a takeover by GEC.

Takeover appeals, Page 19

Foreign groups 'take 25% of City space'

By Paul Cheeseright, Property Correspondent

MORE THAN a quarter of the office space leased in central London in the last two years has been taken by overseas companies, said a report yesterday.

Edward Erdman, surveyors, following a survey of 100 overseas companies with premises in London, said that 40 per cent of the companies planned to expand in the next five years. They are likely to need 30 per cent more space than at present.

Analysis of office lets by Edward Erdman revealed that overseas companies took 1.8m square feet of the 6.1m sq ft of space leased in Central London in the year to June 1987 and 2m sq ft out of 7.9m sq ft leased in the year to June 1988.

The highest demand has come from financial companies and from companies setting up an overseas headquarters. And they have not been very sensitive about the costs involved.

The surveyor finds that for many international companies cost is less important than location and the strength of the expensive ends of the market should be underpinned. This flies in the face of widespread worries in the property industry that the current building boom in the City of London, allied to developments under construction or planned in areas like London Docklands and Kings Cross, could cause hit rental growth.

LAW

Injunction freezes mortgage benefit

BANK MELLAT v KAZMI
Court of Appeal (Lord Justice Purchas, Lord Justice Nourse and Lord Justice Stuart-Smith): December 21 1988

WHERE a defendant's assets have been frozen by Mareva injunction, the court may subsequently order that sums *owed to him by the Crown* shall be paid into court or, preferably, into a frozen bank account, if it is probable he would deal with them in breach of the injunction.

The Court of Appeal so held when allowing an appeal by the plaintiff, Bank Mellat, from a decision by Sir Neil Lawson sitting as a Queen's Bench judge, ordering that supplementary benefit arrears be paid direct to the defendant, Mr Sibtul Hassan Kazmi.

LORD JUSTICE NOURSE said that Mr Kazmi was an internal auditor with the bank and had an employees' mortgage on his house. In July 1981 he was arrested on charges of obtaining bank monies by deception.

On July 13 1981 the writ in the present action was issued against Mr Kazmi, claiming damages for fraud and conversion. On the same day the bank obtained Mareva relief.

On July 28 a consent order was made continuing that relief, restraining Mr Kazmi from dealing with assets within the jurisdiction and in particular with sums in bank accounts particularised in a schedule to the order.

The injunction was still running against Mr Kazmi. He had never applied for a modification to allow defrayment of living expenses.

In March 1983 Mr Kazmi was convicted on three counts of obtaining monies by deception, and received concurrent three-year prison sentences.

Judgment in the present action was subsequently entered against him for £96,681 *damages plus costs.*

Extensive realisations were made by the bank, including the sale of Mr Kazmi's house. It claimed that the amount outstanding was about £61,400 and that a further £62,320 was owing to it on Mr Kazmi's loan account.

Between 1981 and 1984 Mr *Kazmi claimed supplementary* benefit in respect of mortgage interest. On November 16 1987 an adjudication officer determined that he was entitled to an aggregate of £8,480.

The effect of the determination was to render the Crown Mr Kazmi's debtor for that amount. It was also believed that a further £2,000 might become due after further calculations.

The bank maintained that payment to Mr Kazmi direct might aid or abet breach of the injunction and thus constitute a contempt of court by the Secretary of State. It requested that payment should be made *into one of the bank accounts* particularised in the consent order, none of which was maintained with the plaintiff bank.

Mr Kazmi held that payment should be made to him direct. He indicated that if that could not be done he would withdraw the claim altogether.

The Secretary of State intervened in the proceedings for the purpose of being given directions as to whom payment should be made. On April 20 1988 Sir Neil Lawson ordered that all arrears should be paid direct to Mr Kazmi or his order. The bank now appealed.

Mere notice of the existence of a Mareva injunction could not render it a contempt of court for a third party to make over an asset to the defendant direct. Otherwise it might be impossible, for example, for a debtor to pay even the most trivial sum without seeking directions of the court.

A distinction must be drawn between notice of the injunction, and notice of a probability that the asset would be disposed of or dealt with in breach of the injunction.

It was only in the latter case that the third party could be guilty of contempt of court.

It was evident from a letter of December 10 1987 from Mr Kazmi to the Department's solicitor, that he resolved to prevent the money getting into the hands of the bank at any cost. That demonstrated a probability that he would, if he could, dispose of it in breach of the injunction. The Secretary of State's decision to seek the directions of the court was entirely appropriate.

If the debtor had notice of a probability that the money would, if paid to the defendant direct, be disposed of in breach of the injunction, so had the court. And the court had no choice, nor any inclination, except to come to the aid of its previous order. It must take some course which would effectively subject the money to the operation of the Mareva injunction.

On a conventional approach the correct course might be to order it to be paid into court. But in a case where there was already a bank account whose balance from time to time was frozen by the injunction, it was preferable in practice and unobjectionable in theory, for it to be paid into that account.

Applying those general considerations to the facts of the case, there was no doubt that, unless prevented by the fact that the debtor was the Secre*tary of State for Social Ser*vices, the court ought to order that the sums be paid into one of the particularised independent accounts.

The question was whether legislation prevented the court from taking that course.

Section 25(4) of the Crown Proceedings Act 1947 provided *that no* "attachment or process in the nature thereof shall be issued out of any court for enforcing payment by the Crown."

Also, section 16(1) of the Supplementary Benefits Act 1976 as amended by the Social security Act 1980 provided that "Every assignment of, or *charge on, any supplementary* benefit, and every agreement to assign or charge any such benefit, shall be void."

Miss Williamson for the bank submitted that an order for payment into a particularised bank account would not offend either section 25(4) of the 1947 Act, or section 16(1) of the 1976 Act.

For Mr Kazmi it was submitted that the order sought by the bank was a process in the nature of an attachment within section 25(4).

Whether or not that submission was correct, the order *sought was not one "for enforc*ing payment by the Crown." The Crown was not being forced to pay the arrears.

As to section 16(1), a Mareva injunction, like any injunction, operated only *in personam*, and created no assignment of or charge on the assets in respect of which it was granted, nor any agreement to assign or charge those assets.

Had it thus not been for the Court of Appeal decision in *Walker v Walker [1983] Fam 68*, which was concerned with section 203 of the Army Act 1955, Miss Williamson's submission that the order sought by the bank would not offend section 16(1) could have been accepted without more ado.

Section 203(1) of the 1955 Act, which was to the same effect as section 16(1) of the 1976 Act, provided that every assignment of or charge on any military grant was void. Subsection (2) provided that no court order should be made to restrain a person from receiving anything which he was precluded from assigning and to direct payment to another.

The *Walker* decision was to the effect that an order for payment into court of an army resettlement grant pending hearing of a wife's application for ancillary relief in matrimonial proceedings, offended not only section 203(2), but also subsection (1).

It was submitted for Mr Kazmi that the order sought by the bank would likewise offend. The court ought not to accede to that submission for the following reasons:

First, the view in *Walker* was based on the belief that the only reason for an order for payment into court was to circumvent the prohibition in section 203(1). The same could not be said of the order proposed in the present case.

Second, the court could not disregard the proposition, established in principle and on authority, that a Mareva injunction did not create any assignment of or charge on the assets in respect of which it was granted, nor any agreement to assign or charge those assets.

Third, and perhaps most important, if the money were to be paid to Mr Kazmi direct there would be *no* offence to section 16(1), but he would come under an immediate obligation to preserve it, by virtue of an injunction already in force. The appeal should be allowed. Lord Justice Purchas and Lord Justice Stuart-Smith agreed.

For the bank: Hazel Williamson QC (Stephenson Harwood)

For the Secretary of State: John Mummery (DHSS solicitor)

Mr Kazmi in person

Rachel Davies

MANAGEMENT: The Growing Business

EC Directorate

A commissioner who speaks from experience

Tim Dickson profiles the latest champion of small and medium-sized enterprises

Antonio Cardoso e Cunha: No hospital for sick enterprises

Right up to the last in the tough bargaining over European Commission portfolios which took place in Brussels in mid-December, the newly appointed Small and Medium Sized Enterprises supremo, Antonio Cardoso e Cunha, was expecting to land a junior foreign affairs job.

His surprise 11th hour switch to take over the slot vacated by his predecessor, Abel Matutes, however – far from being the disaster which sudden, politically inspired changes like this are apt to provoke – could turn out to be a blessing for those in the European Community committed to growing businesses.

A 55-year-old Portuguese Member of the Centre Right Social Democratic Party and a native of Lisbon, Cardoso e Cunha was not one of the most visible figures as Fisheries Commissioner in the last Brussels team. His capacity for hard work, his shrewd business skills, and at times his uncompromising negotiating approach in the tough meetings with member states in the Council of Ministers nevertheless won respect and admiration from colleagues and subordinates alike.

More to the point, given his new job, he can wave the sort of CV which will quickly disarm those who suspect that politicians know little of the real world. An industrial engineer by training, he headed a group of private businesses in Angola which were involved, among other things, in cattle ranching and mining, he helped set up the Cruz de Campo project, one of Portugal's most successful new agricultural ventures, and among the various government posts he held before coming to Brussels in 1986 were those of Industry Secretary and Overseas Trade Secretary.

Even if he does not own a private jet like the fabulously wealthy Spaniard, Matutes, he can equally claim to be a hugely successful entrepreneur in his own right.

With Cardoso e Cunha's feet not yet under the SME table, it is too early to predict how he will stamp his mark on policy over the next four years. Already, however, important organisational changes are taking place reflecting the growing importance which the Community attaches to the promotion of SMEs in the run-up to 1992.

The major talking point is the plan to turn the so-called SME "task force" and its 40 to 50 staff into the nucleus of a fully fledged EC department (or Directorate General in the Brussels jargon) sometime later this year. Details of how it will work have yet to be resolved.

The new directorate, to be called DG 23, will almost certainly also house the civil servants who shape the EC's policies on tourism and the retail trades – two of Cardoso e Cunha's other responsibilities.

But a more sensitive question is whether consumer protection should be hived off from DG XI, the directorate responsible for the Community's increasingly visible environmental initiatives, and join SMEs in DG 23.

Cardoso e Cunha makes no bones about his opposition to the idea – not least on the grounds that a unit which is trying to encourage deregulation and simplify legislation is unlikely to lie easily beside one which by its very nature will be attempting to impose new rules and regulations on the business sector.

Whatever happens, the decision to elevate the status of the task force can be seen as a vote of confidence in the "action programme" which it has pursued since being set up in June 1986. The task force has a dual function – internal co-ordination (overseeing the interests of SMEs in programmes developed by other services), and the setting up of projects within a general strategy to improve the environment in which firms operate.

Asked about Task Force successes in the past two and a half years, the unit's head, Alan Mayhew, cites the Commission's "compliance cost assessment" (or CCA) approach which requires that every new legislative or regulatory proposal should be evaluated with regard to its impact on business and employment. "It is important that all the officials here now know they have to do this exercise," he explains. "A good illustration of progress is the fact that our health and safety people have been using private sector firms to make these sorts of assessment – something you would hardly expect to have happened in the past."

As for the specific SME services pioneered by Brussels, Mayhew points to the Euro-Info centres now established in 39 locations throughout the Community, which link offices to a central task force team and provide a two-way flow of information to chambers of commerce, development agencies and other small firms organisations. The ultimate target is about 150 to 200 offices to cover the whole EC.

He is also enthusiastic about the results achieved by BC-Net – the computerised network for furthering co-operation between firms which links together business advisers.

Another approach to the problem of identifying transnational partners was pioneered with the Europartenariat initiative in the Irish Republic last year, and, following the results reported by around 60 per cent of the companies involved, the experiment will be moving on to Spain's Andalucian region later in mid-1989.

Developments in the Task Force pipeline are a new training programme aimed at preparing managers of smaller businesses for the rigours of 1992, and a plan to provide financial help to reduce the management costs of those providing seed capital. "Venture capital has definitely moved into the less risky areas," comments Mayhew. "What we will be launching is an experimental programme aimed at a maximum of 24 seed capital funds in the EC."

All eyes initially, however, will be on Cardoso e Cunha who says that one of his biggest challenges will be to integrate the initiatives "which have exploded in all directions" into the new DG. "We are trying to create an enterprise policy for all businesses, with a special emphasis on SMEs," he explains.

With 1992 fast approaching, Cardoso e Cunha emphasised last week that he rejects the approach of those who urge greater protection from the inevitably tougher competitive conditions which lie ahead. "We are not encouraging small businesses to stay small. We are not providing a hospital for sick enterprises. The idea is to improve the environment so that businesses can grow and not be penalised by their size."

Why accountants need to catch up with moving goal-posts

Richard Waters reports on the long-term strategy of two medium-sized firms

A huge hurdle stands in the way of accountancy partnerships that aspire to grow.

At some stage they are forced to make a significant investment to turn themselves into multi-service firms. Specialisation across a wide range of services has become essential; if a firm does not offer a particular expertise, there is no shortage of larger firms queueing up to take its place.

Those that do not make the jump are destined to see all but their small clients switch to larger practices.

This was how Ball Baker Leake, a 15-partner London firm, analysed its market. Its answer: to throw in its lot with a larger firm before the carpet was dragged from under its feet.

BBL's recent history should be instructive for other medium-sized firms. It was the product, just over three years ago, of the merger of two smaller firms, Ball Baker and PD Leake.

This move came at a time when such mergers were becoming fashionable. By banding together, ran the theory, such firms could hang on to their market position. In particular, they hoped to retain their larger clients, who were being aggressively targeted by the "Big Eight".

Peter Phillips, senior partner of BBL, says that considerable investment followed the 1985 merger. The new firm invested in developing new services and began to market its "products" for the first time. The effort hit partners' income, but was judged to be worthwhile since it would yield benefits in the future.

The firm was effectively investing in its own independence.

Last week BBL announced that it was merging with Pannell Kerr Forster, the UK's 12th largest firm. Pannell's fee income of £50m and 190 partners makes it ten times the size of BBL.

What went wrong? Nothing, according to BBL's Phillips. It simply became clear that, whereas the firm could prosper for the next five years, its longer term future was much less assured.

It preferred to accept the inevitable at this stage, while it was in a position of relative strength, rather than wait for its client base to deteriorate.

With fee income of £5m, BBL did not achieve the volume of sales to support its increasing overheads. These had escalated since the firm had opted to expand its range of services; it was effectively operating with the same overhead structure as a far larger accountancy practice but with only a fraction of the turnover.

A further problem was the need for greater specialisation than it had yet developed. Phillips points to VAT as an example. One BBL tax partner spent less than half his time on this subject, which is now becoming one of the most specialised areas of taxation. By merging with Pannell, BBL's clients now have access to "a whole roomful" of VAT experts.

BBL had itself achieved this depth of expertise in at least one field; it had more than 30 tax specialists. However, concentration in this area alone was not enough. It had also set up its own office in the US 15 years ago, but this did not give it the extensive international representation it needed.

The type of clients that BBL wants to retain increasingly expect this greater level of technical expertise and international representation from their accountants, says Phillips.

Merging with Pannell was perceived to be the best option. BBL's 19 partners are all based in a single London office, making it the largest single-office accountancy firm in the UK. This concentration means that BBL's people will make up more than a third of Pannell's London office, giving them considerable say and representation on the main policy committees of the firm.

What of Pannell's own future? It has faced similar decisions about its size. Three years ago, the firm decided that it needed to double in size within three years if it were to have a chance of surviving in the same market as the Big Eight.

It has achieved this. However, the goal-posts have now moved: larger firms have doubled in size as well, leaving Pannell in the same relative position.

Claude Brown, Pannell's senior partner, points out that his firm's growth has come from its core business of audit and accountancy, while others have benefited from growth in management consultancy. Pannell's relative position in its core market has therefore strengthened.

The fact remains, though, that the issues facing Brown are exactly the same as those faced by Phillips: can his firm support the range of expertise and international presence it needs to retain its best clients, and at the same time compete on cost and quality with its larger competitors?

While Phillips and BBL have decided to call it a day, Brown and Pannell believe the game is a long way from over.

In brief...

■ A handy but comprehensive guide to the British venture capital industry is provided by the fourth edition of The Venture Capital Report Guide to Venture Capital in the UK.* The guide, written by Lucius Cary, is unique in providing details of the backgrounds of the managers in venture capital organisations as well as extensive information on their investment policies and portfolios.

The guide has grown in size as both it and the venture capital industry have matured and now runs to 592 pages, 128 more than the third edition.

Most of the entries have been extended as the venture capitalists have become more open about their activities.

In some cases venture teams have been completely replaced since the previous edition and doubtless some of the entries are already becoming out of date.

The introductory chapters explaining how to draw up a business plan and giving case studies of fund raising are little changed though a short entry has been added on intellectual property.

Cary, who runs a seed capital fund, originally sought finance to set up in business in 1972 and he describes this experience in the guide's introduction. His account may look dated but while sources of finance may be more numerous now many of the problems facing the would-be entrepreneur are the same.

The guide is well indexed but the sub-division of the directory into the different types of venture fund – independent, bank-owned or government-backed – is unnecessarily confusing.

A straightforward alphabetical directory would be better.

A number of accountants produce free lists of venture capital organisations while the British Venture Capital Association and European Venture Capital Association both have directories of members. None, however, has the detail which the would-be entrepreneur or investor will find in this guide.

**Available from Venture Capital Report, Boston Road, Henley on Thames, Oxon RG9 1DY. Tel 0491 579999. Price £35 + £2 p&p.*

■ The small fashion business is the target of a series of seminars which is being run by the London College of Fashion throughout January and February.

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Anthony Swift and Partners, 49a Skinner Street, London EC1

WHOLESALE LUXURY GIFT COMPANY

Sale due to retirement of owner. T/O £300k. London based but could relocate. Freehold premises available if required.

Reply to Box H4286, Financial Times, 10 Cannon Street, London EC4P 4BY

INTERNATIONAL TRADING COMPANY

Particular emphasis on supply to the oil and petrochemical industries worldwide. Established for 17 years. Present order book £250,000 (IRAN). Orders in possession awaiting LCs/LC Amendments. 10 orders. Sales basis is margin of 25% on top of cost price. Further £900,000 orders currently under negotiation. 7 orders.
Principals only please reply to Box H4268, Financial Times, 10 Cannon Street, London EC4P 4BY

HIGH CLASS PERFUMERY for sale in Middlesex

Large double fronted shop situated in High Street. T/O for 1988 £483,193, g/p £144,957. 25 year lease from March 1975, current rental £27,000 p.a. Price asked (for quick sale) for benefit of goodwill, lease, fixtures and fittings £225,000 plus S.A.V. (approx £95,000).

Write Box H4273, Financial Times, 10 Cannon Street, London EC4P 4BY

WANTED
ENTREPRENEUR WITH £60,000

To buy 20-month old UK/Eire distributorship. Top quality American line sold directly to company end-users. 100% satisfied customers include several of the largest groups in Britain. Business now breaks even. Annual profit potential in six figures.

Oxford Ventures Group, 213 Woodstock Road, Oxford OX2 7AD. (0865) 53535

FINANCIAL SERVICE COMPANY

FIMBRA registered services arm of medium size firm of London Chartered Accountants, specialising in Pension, Life Assurance etc. wishes to talk to a Financial Services Group partly with a view to capitalisation and partly to fully develop the client base. Pre-tax profits for current year expected to be £200,000.
Write Box H4234, Financial Times, 10 Cannon Street, London EC4P 4BY

EMPLOYMENT AGENCY

In Aberdeen is offered for sale as a going concern. Principal features include an annual turnover of £500,000, gross profit of approximately £50,000, freehold premises and an established customer base within the oil industry. For information, (name of principal must be disclosed), write to:

Box No. H4289
Financial Times
10 Cannon Street
London EC4P 4BY

LAWSON-PRICE

SPECIAL PURPOSE
ENGINEERING COMPANY FOR SALE
AS A GOING CONCERN

- ★ Accessible North Kent location
- ★ Freehold property – 3500 sq.ft. on 1.5 acres
- ★ Fully equipped inc. 26½ ton craneage
- ★ T/O £600,000 with potential to improve
- ★ Guide £1.6M STC. Plus S.A.V.

Contact David Marriott
0622-690740

SPECIALISED WORSTED, SYNTHETIC FIBRE SPINNING CO. FOR SALE AS A GOING CONCERN

T/O £860,000
Stock £180,000
Good order book
45 employees
West Yorkshire based.
Would consider rental of space as alternative to moving machinery.
Suit larger textile group or specialist

Details principals only from H4270, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE FURNITURE AND ELECTRICAL RETAIL COMPANY

Long established and profitable. Located on London/Essex border. Turnover approx £1.5 million. Principals only should reply to:
L Newey Esq, Littlejohn Frazer, 2 Canary Wharf, London E14 9SY

OPERATED PLANT HIRE COMPANY

With Construction Department
Situated in the North West of England
Audited Net Profits in excess of £200,000-00 p.a.
Assets over £900,000-00 including £300,000-00 cash
Large under utilised Head Office
Price Required in the Region £1,300,000-00
For further details
Harvey Silver Associates
061-236 1206 (4 lines)

MOBIUS INTERNATIONAL LIMITED

The Joint Administrative Receivers offer for sale, the business and assets of Mobius International Limited.

- Prestigious book packager
- Established 3½ years
- Annual turnover - £400,000
- Excellent backlist
- Work in progress of good potential

For further information, contact the Joint Administrative Receivers:
D J Buckler or I P Phillips, Buckler Phillips & Co., 43/44 Albemarle Street, Mayfair, London W1X 3FE
Telephone: 01 493 2898 Fax: 01 629 9444

FOR SALE
SMALL ENGINEERING BUSINESS

MANUFACTURING PRODUCTS FOR THE WASTE DISPOSAL MARKET
Turnover and order book over £1m. Long established with very good trade reputation and large customer base.
For details write to Box H4279, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE

Retiring proprietor of long established wholesaler of leather goods, suitcases, briefcases, handbags seeks purchaser, including assignment of lease. Storage Camden Town available.
Principals only write to:
Cawthorne, 38 Jermyn Street, London SW1Y 6LX ref. SAC/jd

BIRMINGHAM BASED ELECTRO-PLATING COMPANY

With present turnover of £350,000 per annum. Turnover for coming year will be in excess of £500,000. Balance sheet is strong with good profits margins maintained by experienced management team. Present MD is planning retirement. Principals only reply to:
Box H4267, Financial Times, 10 Cannon Street, London EC4P 4BY

Profitable

Well established cellular dealership loyal customer base including many plc's would certainly be of interest to progressive air time provider or any organisation seeking entry to or expansion in cellular marketplace
Reply to
Box H4281, Financial Times, 10 Cannon Street, London EC4P 4BY

SKI WEAR

Small well respected private company manufacturing ski wear wishes to sell business including freehold premises. Principals only.
Write Box H4285, Financial Times, 10 Cannon Street, London EC4P 4BY

TRANSPORT COMPANY

Transport and warehousing Company, 15 miles north of London for sale as a going concern. Good fleet of vehicles, trailers, forklifts and maintenance equipment.
Fully staffed.
Replies to Box H4288, Financial Times, 10 Cannon Street, London EC4P 4BY

ELECTRONIC COMPONENTS DISTRIBUTOR FOR SALE

Private company based in South East with UK coverage. £1.5m turnover with good margins. Established 15 years solid customer base.
Write Box H4266, Financial Times, 10 Cannon Street, London EC4P 4BY

ACCESS CONTROL PRODUCT FOR SALE

Remote infra-red system using unique coding technique offering high security and reliability. Several systems installed. Designs, patent rights, tools and small stock for sale.
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UNIQUE KITCHEN AND BEDROOM MANUFACTURER AND RETAILER

with 6 retail stores and large manufacturing capacity.
Projected 1989 sales £7 million.
Fantastic opportunity for the right company.
Write Box H4277, Financial Times, 10 Cannon Street, London EC4P 4BY

ESTABLISHED PEST CONTROL BUSINESS

Central London B P C A registered turnover £70,000 ideal for amalgamation.
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Magazine in the Sports/Leisure Market - Seasonal. Opportunity for company to acquire or take majority shareholding. T/O 90k. Credibility excellent, regarded as one of the leading titles in its field. Circulation up on previous year and increasing. Potential to increase profits and T/O is enormous. 40k required for straight sell. Current publishers will consider to continue publishing under contract. Majority shareholding is negotiable. Serious enquiries only to FAX: 0808 44115 or TEL: 0808 44114.

CHAIN OF SPECIALIST CHILDRENS & BABY CLOTHING SHOPS. North of England. Well established. Turnover circa £½ million. Price £100,000. Full details on request. (REF. 9063) S.D. ELLISON & CO. TEL TYNESIDE (091) 212 0009

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Box No. H4280, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE
North West
Estate Agency
Four Branch Network

Reply to Box H4276, Financial Times, 10 Cannon Street, London EC4P 4BY

INDUSTRIAL INSULATION/ ENVIRONMENTAL CONTRACTING COMPANY

Limited company for sale T/O approx £1.8m. Contracts nationwide with private companies and public utilities. Midlands based.
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FOR SALE
UK TRAVEL GUIDE BOOK

Annual guide, now entering third year of development, needs to move into a more advertisement-sales oriented publishing environment. Full details from:
Box H4283, Financial Times, 10 Cannon Street, London EC4P 4BY

ENGINEERING/FABRICATING BUSINESS WITH FREEHOLD FACTORY FOR SALE

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Further details Cozens-Smith Ltd, Cranleigh, Surrey tel no (0483) 276084

Publishing Business (London Guides) For Sale.

Enquiries invited.
Write Box H4276, Financial Times, 10 Cannon Street, London EC4P 4BY

BUSINESSES WANTED

Financial Advertising

Leading investor relations consultancy wishes to acquire a financial advertising agency to service existing and growing advertising business.

Management strength and experience are necessary, together with sound financial systems and controls.

Please write in confidence to:
Box H4274, Financial Times, 10 Cannon Street, London EC4P 4BY

CONSTRUCTION AND SHOPFITTING

Quoted PLC with cash available wishes to acquire companies allied to the building trade employment agencies. All replies treated in strictest confidence.
Write Box H4271, Financial Times, 10 Cannon Street, London EC4P 4BY

COMPRESSION MOULDING BUSINESS REQUIRED

A plastic processing subsidiary of a major U.K. manufacturing PLC is interested in purchasing a Compression Moulding business to compliment existing operations.
The business required could be a separate company or part of an "in house" moulding operation which could be relocated, possibly as part of a joint venture. All replies will be treated in strictest confidence.
Please respond to
Box H4272, Financial Times, 10 Cannon Street, London EC4P 4BY

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An international public company expanding its interests in the U.K. can offer cash for a business in the above fields with a turnover around £1M. Please reply in a letter marked "In Confidence" to :-
JMR
J.M Finn & Co.,
Salisbury House, London Wall, London, EC2M 5TA

Plc Engineering Seeks Acquisitions

A progressive plc is seeking to expand its business base through acquisition in the manufacturing sector

We are looking for companies in the small to medium size range with pre-tax profits of between £½m and £3m.

Considering for the purchase of any acquisition can be based on cash or equity or a suitable mix

Write Box H3367, Financial Times, 10 Cannon Street, London EC4P 4BY

PRODUCT COMPANIES WANTED

A major national contracting company is seeking to expand its Construction Products Division. We are looking to acquire product led companies with a successful management team who can demonstrate a good profit record. A competitive edge and a potential for growth are of primary importance.

Write Box H4287, Financial Times, 10 Cannon Street, London EC4P 4BY

Financial Services Company

With IBM AS/400, Systems 34, 36 and 38, Wang and Hewlett Packard and substantial software and hardware budget, seeks partial or complete acqusition of aggressive software house with an established niche in financial services area.

Write Box H4282, Financial Times,
10 Cannon Street, London EC4P 4BY

WE WISH TO PURCHASE ANY COMPANY EARNING £100/300,000 PA

If you are considering selling we would like to hear from you. We are a private company wishing to diversify and interested in any non-manufacturing company in London or the home counties. All replies will be treated in the strictest confidence and acknowledged.
Write to Managing Director, Box H4251, Financial Times, 10 Cannon Street, London EC4P 4BY

WANTED TO PURCHASE COMPUTER DISTRIBUTOR/WHOLESALER

An International Group seeking to expand in the UK wants to purchase all or part of an existing Distribution Company - Opportunity would particularly suit a company requiring additional finance to fund growth as well as the introduction of new product ranges (primarily for PC Based Hardware, Software and Peripherals).

Reply in strictest confidence to Box H4265, Financial Times, 10 Cannon Street, London EC4P 4BY

AQUISITIVE PLC

Wishes to acquire high quality printing businesses with 4 colour capability.
Write Box F8635, Financial Times,
10 Cannon Street, London EC4P 4BY

GOING PUBLIC MADE EASY

Clean public shell in the U.S. seeks merger with successful private company wanting to go public.

It will require assets of $1m net and $2m gross and financials adequate to meet requirements of a fully reporting company on NASDAQ.

Management must demonstrate capability of running a public company and have specific goals in mind, using the plc for acquisitions, financing, and increasing their own net worth. Control will be granted to any type of company which can prove itself a sound business with potential growth and upside to be shareholders.

Principals only should reply in confidence with basic details to:

Box H4264, Financial Times, 10 Cannon Street, London EC4P 4BY

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for its further expansion, Property Investment & Dealing Companies. Acquisitions upto £20m considered

Please reply in confidence to
Box H4661, Financial Times, 10 Cannon Street, London EC4P 4BY

TECHNOLOGY

Keeping the test tube brimming with ideas

Continuing a series on Unilever, Christopher Parkes examines its research and development

Where, in the multiple layers of the human skin, lies the factor or combination of factors which prevents people from drying up and withering like old apples? The prospect of finding the answer tantalises Enio Feliciotti, who has just retired as head of laboratories at the Unilever research centre in Colworth, Bedfordshire. Unilever has ambitions to take a world lead in skin care and such a discovery could greatly enhance the company's prospects. Possible refinements could preserve food as well as the illusion of youth.

It is in the nature of this Anglo-Dutch group to milk its four central laboratories – there are others in Port Sunlight, Merseyside, Vlaardingen, Netherlands, and Edgewater, New Jersey – for every benefit from their findings.

This was how finite element analysis, a sophisticated mathematical technique for testing the integrity of structures, came to be used to prevent the head of a Yogi Bear ice lollipop falling off at the first bite. Similarly, work on developing immunity to E. Coli intestinal infections in pigs produced a pregnancy test kit for humans.

For years, Unilever formulated feedstuffs to produce the biggest, fattest animals. But under consumer pressure it has diverted effort towards fast growth with the maximum of lean meat. In a similar way, Feliciotti believes Unilever can fulfil demand for "healthier", less fattening foods.

Laboratory heads play a key role in ensuring that ideas and techniques are fully exploited in as many of the group's business areas as possible.

Each of Unilever's core activities – detergents, food, agribusiness, personal products and speciality chemicals – supports a business planning group. Monthly meetings, attended by technical, research and marketing staff, set targets and ensure that there are effective links between research, development and the operating companies.

Research staff are involved in research planning groups which work out new programmes. Marketing staff and technical directors from operating companies complete the co-ordination through frequent contact with one another and the four central laboratories.

"The main benefit comes from cross-fertilisation," says Sir Geoffrey Allen, group research and engineering director. "New ideas spring up better at these interfaces. Closer contacts mean I can pull a multi-disciplinary team together within hours."

He cites a recent case when Unilever was left standing as US competitors launched a wave of anti-tartar toothpastes. He called in a team and it was the detergents expert, of all people, who suggested a phosphate or citrate to inhibit crystal growth on the teeth. Within months Unilever was in the market.

Sir Geoffrey has overseen the transformation of R&D from isolation on the fringes to complete integration in group operations. Ten years ago there were eight Unilever research laboratories in Europe and a modest, under-equipped operation in the US. To concentrate resources and reduce costs, research effort was focused on fewer establishments in Europe.

After some hesitation it was decided that links with the US companies would be enhanced by a $50m investment, completed in 1985, at Edgewater. Among the direct results of this, Sir Geoffrey sees developments in the ice cream business – variants on Colworth's Cornetto cone and Viennetta dessert, for example – being sold all over the world.

Adoption of these ideas brought the US Good Humor business into sound profits for the first time in more than 30 years. "Ice cream ideas are piling up at Colworth because the companies are not able to take them fast enough," he says.

With research integrated into group operations – and enhanced by the 200-odd development laboratories attached to operating companies – the science staff are sensitive to both Unilever's and the markets' needs: adding quality and value to existing products in saturated markets like European and US detergents, getting products to market in six months and not two years, and helping to shift variants across international frontiers.

"Our most productive phases in development come as waves of culture pass through a company," says Sir Geoffrey. Japan, for example, where new local management has found market success, puts great demands on the science base. "Now they have got the best Timotei shampoo in the world, the best Lux soap, and are starting in food."

The laboratories also feel the excitement generated as decentralisation and encouragement of entrepreneurial attitudes take effect. "A new marketing director always wants to improve on his predecessor's portfolio," Feliciotti observes. "And my laboratory is a bank account available for milking."

He is well aware that coming up with successful ideas for such people ensures that they will champion other proposals and makes allies of them when it comes to passing round the hat for research funding. "There is a special relevance to my being a businessman," says Feliciotti, a former technical director at the US foods company, Lipton. "I want $1.10 back for every dollar spent."

Along with structural changes in the management of R&D, funding has changed radically. In the past, research was paid for by a levy on all operating companies. Now the budget is largely a matter for voluntary contribution with payments made according to companies' needs and the labs' results.

This financial year the tally is £260m, about 2 per cent of sales, compared with some £200m last year, and Sir Geoffrey expects this to increase to 2½ per cent of group turnover. Central laboratories share £160m, with the balance going around the world. There is also a further discretionary payment, worth about 10 per cent of the total, to help bring new science and technology into the company.

Biotechnology takes some £6m of this. Large slices go to new materials such as milder preservatives for food, less aggressive bleaching agents and novel food structures, such as edible polymers. The balance goes to manufacturing technology and the search for more efficient processes.

The quest for new science takes Sir Geoffrey's operations outside the group. Funding of university research has doubled in the past two years to around £10m. UK academic work, involving 100 PhD students in 70 joint projects with 15 visiting professors, is mirrored in the Netherlands.

As well as feeding Unilever's appetite for science and technology, this outside presence serves as a recruitment camp for biological, chemical and manufacturing science graduates – in great demand on an international basis.

As well as losses of staff to other employers, the Unilever research business has to contend with the movement of its staff to the group's 500 operating companies. In the UK, for example, about 10 per cent take this route each year.

So, Sir Geoffrey runs a rolling programme of meetings with European professors of engineering, physics, chemistry and biotechnology. "The Italians make very inventive engineers," he says, "and I'd like to see a lot more Italian involvement. The UK is good for bright ideas and there is a lot of well-rounded science in West Germany and the Netherlands. The French either tinker or are absolutely *dirigiste*."

Previous articles in this series were published on January 12 and 16. The next will appear on tomorrow's Management Page.

A sort-out for postal savings

A NEW Post Office bulk mailing discount system, called Mailsort, comes into operation in the UK in March.

It will offer better discounts than many existing local arrangements and will standardise these charges throughout the country. For a million items sorted, a discount of up to 32 per cent will be available.

To take advantage of Mailsort, ROCC Computers of Crawley is offering Roccmail, a hardware/software system which will perform sorting and label printing for bulk mail specialist companies and in-house mail rooms.

Mailsort requires the customer to carry out more detailed sorting than is entailed in existing schemes. Mail "shots" can go by first or second class mail, or by a third category which guarantees delivery within a week. To meet the Mailsort specifications, there must be further sorting by post code or groups of codes to produce bags of mail ready for collection by the Post Office.

Companies will also be able to make savings by sorting into narrower weight bands.

Roccmail, which can hold and sort a million addresses, will print labels for each piece of mail, for bundles of sorted items and for mailbags. It can deal with changes in the post code groupings stipulated by the Post Office and will print reports which show the cost of the mailing.

The Post Office's ultimate aim for Mailsort is for bulk mailers to provide bags of mail suited to a particular postman's delivery route.

Direct way to put data on disk

A PUBLISHER of information can gain closer control over the contents of a CD-Rom (compact disk read only memory) with a preparation system from Pergamon Compact Solution in the UK.

CD-Rom is gradually being exploited by publishers as a low-cost means of distributing information. Mailing costs are small compared with sending books; for example, an encyclopaedia can be recorded on one or two discs.

One problem is that publishers have had to go to specialised conversion houses. These turn the text into magnetic tapes which then have to go to a specialist disk pressing company.

The new system, called CD-Maestro, allows the publishers' staff to make the tape. Using an IBM personal computer model AT, with a hard disk and a tape drive, the data is recorded according to KRS (knowledge retrieval system) specifications to allow advanced handling of text and graphics. CD-Maestro makes it much easier to test information design decisions and make changes before committing the data to compact disk.

The system will be of particular interest to industries in which security is important, such as the banking and defence, because no third party is involved.

WORTH WATCHING

Edited by Geoffrey Charlish

Fax addition to computers

IN THE UK, Data and Control Equipment (DCE) of Aylesbury has developed a printed circuit board called Autofax aimed at the makers and importers of mini and mainframe computers. It allows them to incorporate facsimile facilities in their products.

There is an increasing demand for fax on computers and the DCE device, also available as a separate item of equipment, will save the time and cost of development from scratch.

The system will integrate with the software of almost any computer operating system and will turn text and graphics from the computer into fax signals. Versions are available that also receive and bring incoming faxes on to the computer screen.

Examination of body sensors

CRANFIELD Institute of Technology, in the UK, has been chosen by the European Commission to lead a consortium which will examine the use of sensors in the human body.

The 11-country consortium will first establish the most promising avenues of research. Tony Turner, who will lead the consortium, sees a number of good prospects.

One is the glucose sensor, which would be implanted beneath the skin of diabetics. Traditionally, blood samples are taken to determine sugar levels. A subcutaneous sensor, however, would be able to provide a continuous reading on a meter worn, for example, on the wrist or on a belt.

Ultimately, Turner believes that the sensor could be linked to an insulin pump so as to keep blood sugar levels under permanent control. Similar devices could monitor oxygen in a premature baby's blood, others could keep a check on sodium levels in patients in intensive care.

It is even feasible to monitor the level of lactates – the substances that cause fatigue – in athletes.

Rapid response to machine vision

A DUTCH company, High Technology Holland, has launched an electronic system that will process rapidly the signals from one or more cameras on a production line.

Machine vision has generally not been used on fast production lines to detect certain features or faults. This is because by the time any fault had been detected, the item would have moved too far down the line for anything to be done about it.

The company says that its new system can be used to measure, inspect and sort products; detection time depends on the complexity of the task. Built-in communications circuits allow it to be connected to process control equipment. Thus, a faulty or out-of-specification product could be diverted from the line at a control gate.

CONTACTS: ROCC Computers: UK, 0293 31211. Pergamon Compact Solution: London, 583 3887. Data and Control Equipment: UK, 0296 432971. Cranfield: UK, 0234 750111. High Technology Holland: The Netherlands, 40 521637.

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As you would expect from a highly respected newspaper like the Financial Times, information has been meticulously researched with everything easy to find and clearly laid out.

Whether you need key statistical data, business vocabulary in German, French or Spanish or to know which airlines fly to a particular city, the diary will tell you. It can help you plan your trip to the finest detail with useful information on visas, customs, business hours and local holidays, for example, in over 55 countries.

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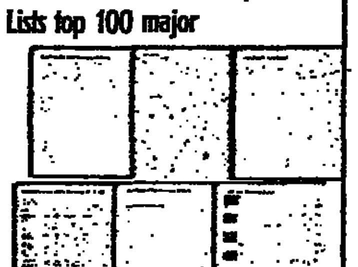

Business Travel. 28 pages of country surveys covering airports, transport, car hire, hotels, visa regulations, currency regulations, business hours and useful addresses, business vocabulary in four languages, world time differences, maps of the financial districts of the world's major Business Centres and climatic conditions in 78 international cities.

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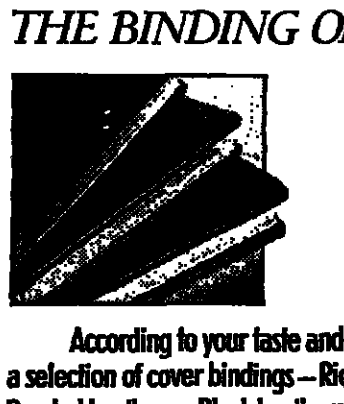

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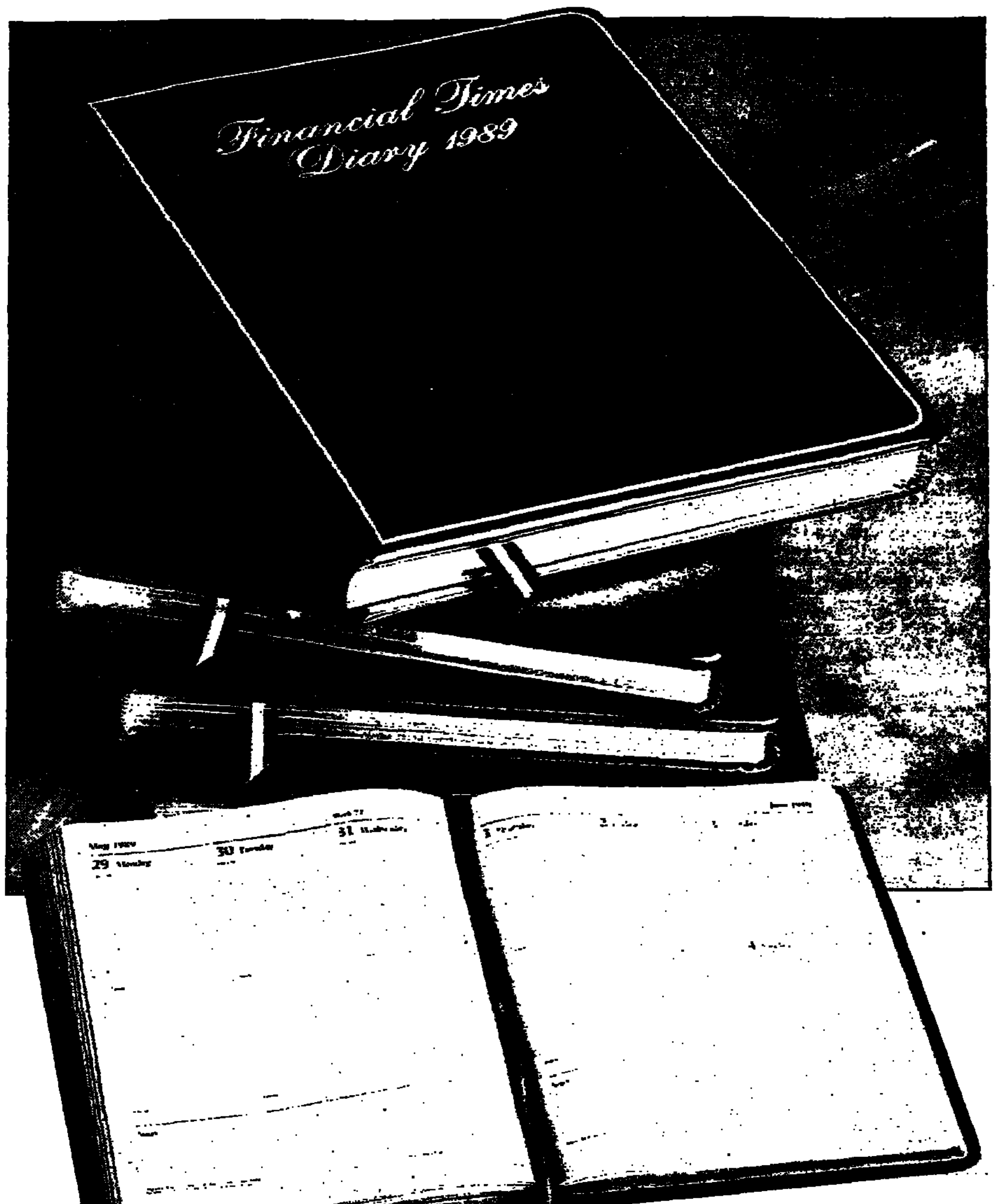

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CS	07171	0506	Chairman's Set (Desk and Pocket Diary), brown leather	£107.75	£103.80	£81.33	£79.56	£76.02	£73.37	£66.30	
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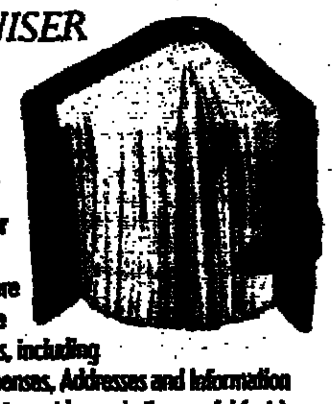

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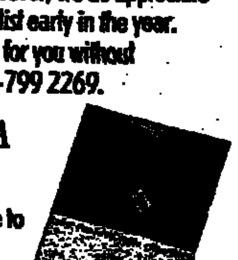

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ARTS

Female nude, c 1916, by Modigliani. Detail

The Italian vision

William Packer at the Royal Academy

After German Art in the autumn of 1985, followed by British Art in the spring of 1987, it is now the turn of modern Italian painting and sculpture to fill the great galleries of Burlington House. Thus the Royal Academy continues its *sequence of major national surveys* of the art of the 20th century (until April 9: sponsored by Fiat and Alitalia) which, by any measure, is a commendably ambitious undertaking.

But fascinating and enjoyable as it is, this exhibition has its faults. A superior "curate's egg" of a show, it is more than generously endowed with excellent parts. For the rest, the problem is more general than particular, a matter more of the scope and consequent effect upon the choices made than upon the quality of the chosen works.

That quality overall is very high and whatever ones personal view of such recent movements as Conceptualism, Arte Povera or the Transavanguardia, taken one by one the works are characteristic, well chosen and handsomely displayed. But such is the present tyranny of massive scale that the expectation posited in the title of the exhibition, of a comprehensive overview of *Italian Art in the 20th century*, can only be disappointed.

The attempt has clearly been made. In the earlier rooms several walls apiece are given to *the Futurists, the Metaphysicals* and the Magic Realists; and enough of their work is shown to make sense both of their development and the Italian context. Thus, among the major figures, Modigliani has a room to himself for his 10 works, while Boccioni is represented by 13 works, de Chirico has 21, Morandi 11, Sironi 10, and so on.

The later artists, however, though several of them actually occupy at least as much space, can have only token representation, their relevance merely asserted rather than demonstrated. Of the luminaries of the 1970s and '80s, Paladino and Clemente have but 3 works each, Chia and Cucchi 2 apiece, Merz 3, Penone 2, Kounellis 3 . . .

Given an inch, artists are as likely as the rest of us to take a mile. But it no excuse to say that because gullible curators have *lately* encouraged artists *to work on so indulgent* a scale there was no alternative but to show them by their largest works. All have worked no less characteristically on a smaller scale, and to show them thus would have enriched as it expanded the exhibition. Certainly the metaphysical thread, that runs through from first to last, might have been drawn tighter.

But we wished to be inclusive and comprehensive, the organisers might say, rather than concentrate on certain strands. Why then the sudden leap from the late 1930s to the middle '50s? Was Guttuso, who *died only in 1987, of no account* at all after 1941? What of the omissions: of the abstraction of Santomaso and Dorazio, for example, shown in Venice last summer, to stand beside that of Burri, Fontana and Accardi? *What of the figure paintings of* Morlotti, the sculpture of Pomodoro?

Whirled down the helter-skelter that is the second half of this show, the general visitor may well be confused and alienated where he might have been enlightened, in which case the organisers have only themselves to blame. But nevertheless, this is an engaging and stimulating exhibition and, in its first 7 rooms that take us up to 1940 or thereabouts, simply stunning.

It begins with Futurism, with Balla, Boccioni, Carra and Severini emerging from *fin-de-siecle* Italian Symbolism, of which we should have had a *little* more, assimilating the influence of Cubism in the years around 1910 and moving on towards abstraction. With Carra, de Chirico and the earliest Morandi the move through the 1910s was from cubist invention to the hallucinatory vision, part still-life, part dreamscape, of Metafisica, harbinger of surrealism.

Yet that is a vision also informed directly in its imagery and sensibility by the Italians of the early Renaissance — by Giotto and Martini and Fra Angelico. The space is manipulated with a sophisticated simplicity, the light sharp, the shadows deep, all established with a febrile clarity and intensity of feeling.

It is upon this work that the exhibition turns, with the young de Chirico *its fulcrum*, to take us round the corner to the magic realism of later Carra and mature Morandi and the incipient Classicism of Sironi. With the great wall of the great Gallery III to himself, Sironi is the third star of the show, an artist not so much unknown as too long neglected *in this country*, and he occupies the Academy's place of honour as no more than his right. This is the critical peak of the show.

Then the later and still controversial de Chirico is given his due along with the curious surrealism of his brother, Savinio, with his beast-headed figures. Comparatively obscure painters such as the realist, Casorati, and the surrealist, de Pisis, are shown if in frustrating brevity, and it is particularly good to see something, if only so little, of the 1930s interiors and figure compositions of Pirandello.

But to return the other way, back through later Futurism to the Small South Room, is to come to Modigliani, as always an artist apart. Only ever loosely accommodated within the Paris school, hedonistic, decorative, suspiciously indulgent, he has even suffered latterday critical condescension and dismissal as a trivial sport, interesting merely for the sad circumstances of his short life. But to see him here, rightly celebrated and restored to his national school, is to confront one of the most consummate painters, qua painter, of the modern period: idiosyncratic yet unaffected, the paint as fresh as ever and put on with wonderful directness and authority.

If Boccioni, Sironi and de Chirico are the major figures, Modigliani is the great treat of the show.

"The Spirit of Domination" by Giorgio de Chirico, 1927

The Cunning Little Vixen

ZURICH

With a few notable exceptions, opera houses in central Europe still treat Janacek rather cautiously. There is a lingering assumption that Janacek is not good box-office, that he is "modern" — and his operas do not fit easily into the rough-and-ready working practices of the repertory system. All this means that whenever one of the major companies finally decides to concentrate its attention on a new Janacek production, the results tend to be special.

This has certainly been the case with *The Cunning Little Vixen* in Zurich, largely thanks to the engagement of the Czech conductor, Bohumil Gregor, and his magical re-creation of the score with the Opera House orchestra. Gregor first came to attention 20 years ago with his Supraphon recordings and foreign tours with the Prague National Theatre Company — but his vast experience and high standards of musical preparation have never been properly appreciated in the West.

Listening to such a finely-contained musical performance as this was an education in Janacek interpretation because it demonstrated an unmistakable grasp of essentials like harmonic balance and shading of dynamics, the exact co-ordination of cross-rhythms and placing of accents. The unshowy, almost understated effect — marred only by the unhelpfully dry acoustic of the theatre — provided a perfect entry into Janacek's precisely-characterised, life-enhancing forest wonderland.

The staging failed to reach a similar level of inspiration, but it exhibited the virtues of honesty and faithfulness to the composer's instructions and it will have helped win a new audience for Janacek. The stage director was Peter Brenner, intendant at Darmstadt and son of Walter Felsenstein, whose post-war production of this work for the Komische Oper became a legend.

Brenner and his designer, Martin Schlumpf, created a forest of dappled colours behind gauze, in which the vividly-costumed family of animals (including a hilarious brood of hens) came more authentically to life than the humans. There was some lovely detail — everything had been carefully constructed — but the aesthetic was somewhat old-fashioned and conservative.

The cast, singing in German, gave a strong company performance with notable contributions from Roland Hermann, as the Forester, and Peter Straka, as the Schoolmaster. Margaret Chalker's Vixen was under-characterised but the decision to cast a character-tenor as the Fox paid off handsomely in Peter Keller's nimble, raffish and passionate portrayal.

Andrew Clark

Pierre Boulez

BARBICAN HALL

This week the BBC is mounting an intensive Boulez festival as part of the Barbican's ongoing "Images de France." Seven concerts in all, from Sunday to Thursday, comprising most of the composer's fastidious *oeuvre* and with himself conducting the BBC Symphony in the larger works; sponsorship by Renault and Air France. For listeners who attend in person (everything is being broadcast) Paul Griffiths' programme-notes make a substantial bonus, complete with the composer's CV, a bibliography — Boulez has been a formidable polemicist in print — and a discography.

The festival began on Sunday night with two high-water marks from the composer's long, restless development: or rather one and four-fifths, because the concluding "Tombeau" was dropped from the huge soprano-and-orchestra *Pli selon pli*. (Apparently it needed more rehearsal.) Before the *magnum opus*, Pierre-Laurent Aimard played the first work Boulez published, the Second Piano Sonata: there, he says, he "found his personality." *One* of his personalities, at least: the combative and rigorous inventor, concerned to build upon Schoenberg's insights without carrying anything of Schoenberg's excess baggage, those "compromises" with tradition-bound sensibility.

For owners of such a sensibility, the Sonata is a relentlessly spiky affair. (It was punctuated here with snoring by the critic of another newspaper.) Its real and cogent variety is strictly musical, its pianoforte dress without much conventional allure. Aimard's quick intelligence and dexterity were first-rate, but he did not tamp home (in this big hall, at any rate) the sense of a tough larger structure: the piece can exercise a more exciting grip.

"Allure" began to seem a major factor in Boulez's work only later, most strikingly with the three "Improvisations sur Mallarmé" which became the middle movements of *Pli selon pli*. If the BBC Symphony had had too little time to polish "Tombeau" for performance, the players managed exquisite things in all four of the movements we heard — Boulez's magical instrumental combinations, the continuous (but infinitely varied) soft chimings, rattles and shudders, the susurrating trills from bands of flutes or strings. Boulez had clearly decided that a Debussyan sensibility is not excess baggage for a French modernist. His soprano was the American Christine Whittlesey, initially a touch frail but true and sweet, and revelling later in the gorgeous loops of the vocal line. It was a thoroughly seductive performance.

David Murray

Jane's Minstrels

PURCELL ROOM

Soprano Jane Manning, ubiquitous exponent of the contemporary vocal repertory, has formed her own ensemble. It is called Jane's Minstrels, which implies that it is a band of singers, which it is not; but it is a band of young instrumentalists who on occasion, I believe, sing as well as play, even if they did not in their lively London debut at the Purcell Room on Sunday evening.

This was the second of three concerts mounted by the Society for the Promotion of New Music in memory of the composer Priaulx Rainier; the third is a piano recital by Rolf Hind to be given at the Purcell Room on February 26th.

Six pieces of British music were performed, four by young composers who have yet to establish their reputations, two by more senior figures, and three featuring the voice of Miss Manning. The most successful and immediately engaging work was the last, *Beastly Jingles* by Anthony Gilbert: hilarious settings of animal poems, the text and music alike fashioned under the influence of an absurdist classification of the animal kingdom put forward by Borges.

The eight-piece ensemble including guitar and mandolin (it is typical of the adventurous spirit of the Minstrels that the mandolin player, Rachel Gough, is really a bassoonist) is chiefly deployed as a repository of off-key twangs — harp, violin, viola and double-bass also being available for plucking. The music (with perhaps a nod towards Stravinsky's *Renard*) is catchy, rhythmic and delightfully oddball, and gave the soprano plenty of scope to be funny.

A performance of Thea Musgrave's Chamber Concerto No. 2 (1966), which also essays musical humour, was distinguished by sparkling piano playing from Dominic Saunders. Frank Denyer's *Stalks* was an exploration of recondite sonority, scored for shakuhachi (Yoshikazu Iwamoto), bass recorder and viola. Jonathan Dean's *Mobile*, a setting of a *haiku* and appropriately brief, drew some ravishing contrapuntal textures, worthy of Tippett, from its pair of flutes, cello and harp. Helen Roe's Marian scena, *And The Angel Departed From Her*, favoured textures of an austere, fragmentary kind, and was arguably over-extended. Allan Greenwood's *Invisible Threads* for guitar (Stephanie Power) with clarinet, flute and viola had charm and the virtues of sound musicianship.

Roger Montgomery ably conducted the four items where a conductor was required; and concert as a whole had a definite brio.

Paul Driver

Casken's Vaganza

ST JOHN'S, SMITH SQUARE

At a time when new music seems to stand at half a dozen crossroads, it is always gratifying to renew acquaintance with a composer who speaks with a recognisably individual voice, however much his style may have been derived from earlier models.

Among the present group of maturing British composers one might name Simon Bainbridge and Robert Saxton. Or — from a different musical lineage again — John Casken, whose rich and complex musical style is no less personal. In the most recent of Casken's pieces there is a variety of formative influences at work, from the aleatoric freedom of Lutoslawski to the busy, glowing sound-world of Tippett, and yet his music sounds convincingly like no other.

At St John's, Smith Square on Friday we had a performance of Casken's *Vaganza*, composed in 1985 for the St Albans Festival. The piece is written for a large instrumental ensemble and its six sections may be re-arranged into various suites. But for this concert the whole was given complete — an important chance to hear all its material, even if the structure of the single opus is not one of its most impressive features.

Like Tippett, Casken has the ability to enrich his music with a seething mass of ideas and (more simply) an enormous number of notes, without ever losing his grip on the audience's attention.

No matter how dense the music becomes, the ear is seduced by an expert mix of sounds: the opening of "Archaic Dance," with its low flute intoning over quietly sensuous string and organ chords, is typical of what makes Casken's work worth seeking out.

There is something of the elegance found in the French impressionists here and that link was taken up by the rest of the programme. Under the direction of Christopher Zimmerman The City of London Chamber Ensemble brought clean-cut playing and keen instrumental solos to Ravel's *Ma Mère l'Oye* suite, as they had to the Casken itself earlier. They sound well in the difficult St John's acoustics.

Richard Fairman

The Reluctant Debutante

HAYMARKET THEATRE, BASINGSTOKE

I would not suggest that William Douglas Home's success of the 1950s was as good a play as *The Country Wife*, but it belongs to the same category, a satire on the current fooleries of society. Until lately, any family in the upper, or upper-middle, class with a marriageable daughter was expected to spend thousands of pounds on dinners and dances where she could meet some respectable young man and get engaged to him.

Douglas Home compares the process to a wedding dance of the Malayans, but really it is like the arranged marriages general in the East. The fact that the girl might not like the young man could be overlooked if the man were generally suitable, had the right friends, could expect enough money. Married couples would get used to one another in time, especially after the obligatory children had been produced.

The story of *The Reluctant Debutante* is based on one foolish mistake. Sheila Broadbent (Josephine Tewson) is intent on marrying off her daughter Jane (Lois Harvey), a pleasant standard English girl. Jane is fonder of horses than of men, but she is willing to go through the social dressage imposed by society. Her mother has set her eyes on a young Guardee, David Bulloch, but Jane finds him tedious, and so do we, as Tim Ackroyd speaks his deliberately dull lines.

One chap whom Jane does warm to is David Hoylake-Johnston, but he is out of play, having been discovered the previous year in a debutante's bedroom after one in the morning. But Sheila, arranging pre-dance cocktails in their rented Eaton Square flat (which, in Oliver Johnson's design, suggests Hendon at best) calls the wrong David. Though she does what she can to correct her error, both Davids turn up. As Hoylake-Johnston, Kenneth Price is hardly what the author insists, "tall, lean and handsome," but he will do, and he has some conversation.

When that night's dance is over, David Hoylake-Johnston brings Jane home late, to the expected parental reactions — less antagonistic from Sheila's husband Jimmy (Derek Smee), for he plays bridge with David at their club. Next morning, the other David, on his way to rehearse the Trooping with the Grenadiers, asks Jimmy for his daughter's hand, but Jane won't hear of it. And Douglas Home has a tiny *coup de théâtre* up his sleeve. Overnight, Hoylake-Johnston has become, through the female line, the Duke of Positano; and that affair in the bedroom was all a mistake.

No great plot, and characters built purposely like the folk in the stalls; but there are some good jokes, and the parts are what they call "actable." Josephine Tewson's pleasant performance gets a lot of fun from her distress at the telephone and her needful resentment of Hoylake-Johnston for being unacceptable.

The folk in the stalls at Basingstoke are not quite what the author had in mind, though Basingstoke, before commerce turned it into an even uglier town than Swindon, was in the centre of the debutante industry. To many of the audience around me, who were enjoying themselves hugely, the people on the stage can have been no more familiar than people from Sheridan or Shakespeare — no more and no less. Ian Mullins is the director.

B.A. Young

ARTS GUIDE

January 13-19

OPERA AND BALLET

London

Royal Opera, Covent Garden. A new English-language version of Die Fledermaus by John Mortimer is introduced to the house in John Cox's (also new) staging, with a first-rate cast.

English National Opera, Coliseum. The 1977 production of La Bohème is revived with a cast headed by Rosamund Illing, David Rendall and Nancy Gustafson. Further performances of The Mikado in Jonathan Miller's sparkling updating, and final showing of the company's first-ever Rimsky-Korsakov staging: Christmas Eve — amusing that doesn't quite work, though there are certainly enough ingredients for a spectacular family show.

Brussels

Théâtre Royal de la Monnaie. Wozzeck by Alban Berg with José Van Dam in the starring role as well as Walter Raffeiner, Ricardo Cassinelli, Anja Silja and Christiane Le Maître. Sylvain Cambreling conducts the orchestra and chorus of the Monnaie (Tues, Wed).

Berlin

Opera. Lady Macbeth von Mzensk features Karan Armstrong, Kathryn Montgomery, Meissner, Dimiter Petkov and William Pell. The fine new Götz Friedrich production of La Bohème has fine interpretations by Kallen Esperian (Mimi), Antonio Ordonez (Rodolfo) and Gwendolyn Bradley (Musetta). Der Troubadour is a Herbert von Karajan production. Das Mädchen aus dem Goldenen Westen is revived with a star cast led by Mara Zampieri, Placido Domingo, Uwe Peper and Peter Gougaloff.

Hamburg

Opera. Don Pasquale brings [illegible], Kurt Streit and Paolo Montarsolo together. A gala performance of La Traviata with star tenor Placido Domingo, June Anderson, Elisabeth Steiner, Peter Haage and Bruna Baglioni, Lando Bartolini and Mario Dimarco. Hellen Kwon repeats her much praised performance as Queen of the Night in Die Zauberflöte.

Frankfurt

Opera. Il Barbiere di Siviglia with Zehava Gal as Rosina for the first time and Vladimir de Kanel as Basilio. Isabelle's Dance choreographed by William Forsythe returns. Rolf Liebermann's Oper der Wald, newly produced by Adolf Dresen, did not quite fit with the composer's ideas.

Bonn

Opera. The long-awaited new Die Fledermaus provoked heavy protests against the ultra modern Bernard Broka production. Luckily the singing by Ludwig Baumann, Hanna Schwarz, Georg Ticky and Julia Conwell redeemed the production. Tosca has Grace Bumbry outstanding in the title role.

Stuttgart

Opera. Friedrich von Flotow's successful production of Martha is revived with Helene Schneidermann, Helmut Berger-Tuna and Ruediger Wohlers. Der Karottenkoenig is a well done repertoire performance.

Vienna

Staatsoper. In repertory: Tosca conducted by Anton Guadagno. Cast includes Gwyneth Jones, Franco Bonisolli, Eduard Tumagian, Rudolf Mazzola. Cavalleria Rusticana conducted by Garcia Navarro and sung by Gwyneth Jones, Wladimir Atlantov, Georg Tichy, Matteo Manuguerra. La Bohème conducted by Elio Boncompagni, with cast including Gabriela Benackova-Cap, Eugenia Moldoveanu, Francisco Araiza and Manfred Hemm. Volksoper. In repertory: Ein Walzertraum; Die Zirkusprinzessin; Don Giovanni; Die Csardasfürstin; Das Land des Lächelns. Ballet: Arthur Schnitzler und sein Reigen is conducted by Herbert Mogg. (Tel: 51444, ext 2660).

Rome

Opera. Le Nozze di Figaro in a revival of the 1964 Visconti version by Alberto Fassini, conducted by Donato Renzetti (Tues). The cast includes Elisabeth Norberg Schulz, Clarry Bartha, Adelina Scarabelli, Claudio Desderi and Mario Bolognesi.

Naples

Teatro san Carlo. Second production of the season is a restrained and sensitively sung production of Lucia di Lammermoor directed by Lutz Ochstreets, conducted by Massimo de Bernart, with a young cast led by Denia Mazzola (Lucia) and Giuseppe Morino (Edgar) (Tues) (7972412).

New York

Metropolitan Opera House, Lincoln Center. The week features the premiere of Bluebeard's Castle with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monodrama Erwartung where Jessye Norman sings the Woman. James Levine conducts both. The week also includes the last seasonal performances of Le Nozze di Figaro, with Kiri Te Kanawa as Rosina and Hansel and Gretel. (362 6000).

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, nine by Jerome Robbins, five by Peter Martins and a month of Balanchine's Nutcracker. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovitch, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Washington

Washington Opera, Eisenhower Theater, Kennedy Center. The double bill of Weber's Abu Hassan and Mozart's The Impresario revives works set at a local theatre in 1880, which was first produced 10 years ago. Evelyn de la Rosa and Sally Wolf are the battling rivals for top billing in Weber's interpretation of the Arabian Nights. Theodore Baerg continues as Figaro and Ruth Ann Swenson as Rosina in The Barber of Seville, as directed by Leon Major and conducted by Joseph Rescigno (254 3776).

Chicago

Lyric Opera, Civic Opera House. Susan Dunn plays Aida to Giuseppe Giacomini's Radames in Nicolas Joel's production conducted by Richard Buckley (332 2244).

FINANCIAL TIMES
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Tuesday January 17 1989

Brazil's new cruzado plan

SINCE BRAZIL is the economic giant of Latin America, its persistent failure to come to terms with the multiple problems thrown up by the six-year-old debt crisis has been a key element in the sense of pessimism pervading the region. So long as Brazil with its huge resource base and the most diversified and dynamic economy cannot get on the right track, it has been unrealistic to expect others to take the lead.

Although many of the measures announced by President Jose Sarney over the weekend in his sweeping economic package seem to have struck the right note at last, the initial reaction must be cautious. It could be a case of third time lucky, or once again the combination of lack of political resolve and inadequate measures could undermine efforts to curb inflation and rein in public sector spending.

The new plan revolves round a temporary price freeze, a steep increase in real interest rates, a return to free collective bargaining, a sharp tightening of monetary policy and the scrapping of five ministries along with cuts in the Civil Service. This is the third large-scale economic package introduced by President Sarney in almost four years. The most eloquent testimony to the failure of previous measures is that the present plan is knocking three zeros off the cruzado, a currency created only three years ago by doing precisely the same thing with the old cruzeiro.

Orthodox advisers

However, there are significant differences. Most important, the Government has resorted to the advice of some respected orthodox economists like Mario Henrique Simonsen, dismissing the "heterodox" ideas of previous plans which sought to prove that it was possible to control inflation while maintaining growth. Secondly, the Government is not making the mistake of freezing prices on essential products indefinitely, but for a limited period of up to 45 days. Furthermore prices now are far more realisticly aligned, so avoiding the problem of inflationary increases once the freeze is removed.

Added to this, President Sarney has accepted the need to begin de-indexing wages. Initially wage levels are bound to suffer, but Brazil cannot afford the luxury of pegging pay increases fully to inflation. It must rely in the future on the more market-efficient method of free collective bargaining. Finally, the pledge to cut back the Civil Service and eliminate five ministries holds the key to success. Inflation will only be eliminated once the Government no longer needs to rely on the inflation tax to finance itself.

Volatile politics

These positive aspects must be measured against the political changes that have occurred in Brazil sinced the first Cruzado Plan of 1986. President Sarney is attempting to introduce the most far-ranging set of economic proposals when his own personal standing is at its lowest and the administration is discredited. Brazilian politics are becoming increasingly volatile in advance of the country's first direct presidential elections in more than two decades, due in November. Political allegiances among the ruling coalition have become so fractured that President Sarney cannot even rely on congressional approval for the present package.

While the mood of Congress is unpredictable, the Government is being distracted by a growing challenge from the left. The latter – fresh from some spectacular gains in recent municipal elections – is bound to exploit the recessionary aspects of the package and to oppose de-indexation. The unions are muttering about calling a general strike.

Everything suggests President Sarney is in for a rough ride. But now that the Government has come up with more credible economic policies, it is vital that President Sarney should keep his nerve. Above all he must resist giving way to pressure groups because his hasty tinkering with the previous two plans did so much to undermine his authority and helped ruin what chance of success they had.

Penalising the mutuals

AS BRITAIN'S Abbey National Building Society steps up the campaign to press its case for conversion to a public limited company (plc), it is all too easy to sympathise with those who object to the abandonment of mutual status. Mutual ownership has, after all, served building society customers well for more than a century, during which time deposits have been relatively secure and the societies' lending activities have contributed to one of the highest levels of home ownership in the world.

As for Abbey National itself, which accounts for 12 per cent of outstanding mortgage loans in Britain, it has been notably innovative in retail banking and a most effective competitor against its clearing bank rivals. Hence the obvious question: to whose problems do conversion and stock market flotation really constitute a solution?

It is certainly helpful to Abbey National's top management, which is now obliged to compete with the clearing banks under a regulatory handicap. Even after last year's revisions to the 1986 Building Societies Act societies are still constrained in diversifying away from their core business, raising funds in wholesale markets and raising equity capital. Yet they are operating in an increasingly volatile market. And the lure of expansion is always tempting for any management, not least because it provides a justification for higher remuneration.

Political attractions

For the Government, building society flotations have always looked a useful way of promoting wider share ownership on the cheap and at the time the 1986 act was being contemplated, ministers no doubt saw political attractions in increasing resources for home ownership. Today, as the Treasury worries about excessive credit expansion in the housing market and the consequences for the balance of payments, the wisdom of pumping more capital into institutions that have their origins in the building society movement seems more questionable.

Then there is the City, for which the fees on an Abbey National flotation would come as a boon in a very dry season. One of the more surprising things about the securities industry at present is that its profits remain under pressure when so much corporate reshuffling conspires to steer fee income in its direction.

As far as the customer is concerned, the advantages of conversion appear rather less clearcut, despite strenuous efforts by the Abbey National board to put its case across. On the asset side of the balance sheet the critics argue that it is far from clear that existing customers are desperately anxious to be offered a wider range of financial products by the same institution. The picture on the liabilities side is more positive, in that the existence of a larger cushion of capital may provide enhanced security for depositors, but if the resulting expansion is ill-judged – and that is not inconceivable given a management whose experience outside home lending is inevitably limited – additional security for depositors will be diluted.

Incentive for conversion

There is nothing to suggest that outside shareholders have done much for the efficiency of the clearing bank system. On some criteria they would rate a poor second to the building societies' mutual structure. And there remains the possibility that once the five-year protection afforded by a golden share has lapsed, the Bank of England might choose to protect Abbey National from unwelcome foreign takeover.

Abbey National's management can hardly be blamed for seeking more freedom and letting customers decide in a vote. If blame rests anywhere, it is with the Government for building an incentive for conversion into the system by hobbling those societies that wish to stay mutual with needless constraints on the ability to compete. If all the other leading developed countries leave mutual institutions free to engage in banking business, why not Britain? Ideological prejudice or sheer muddle are the obvious alternative answers and their consequence could well be that security for depositors in smaller societies is needlessly diminished.

Roderick Oram looks at the fortunes of the US telecommunications giant now expected to join the consortium bidding for Britain's General Electric Company

An exercise in corporate rebirth

Hawking $6 tee-shirts decorated with a drawing of a weeping Alexander Graham Bell and the words "breaking up is hard to do," employees of American Telephone and Telegraph stumbled into a daunting new world five years ago this month.

No longer were they secure in the bosom of Ma Bell, the largest company in the world thanks to its virtual monopoly of the US telephone system. Obeying a court order designed to settle a long-running anti-trust case, AT&T spun off its local networks into independent operating companies and began the painful task of remaking itself into a competitive, though still dominant player, in its remaining regulated markets and learning the ropes in uncontrolled new ones.

Warnings of dire consequence accompanied the divestiture by AT&T of some $110bn (£62bn) of assets and 600,000 employees. Certainly the slimline company, with a mere $40bn in assets and 385,000 staff, might prosper as a long distance carrier and ultimately fulfil its grand plans in non-regulated areas such as computers. But, the scaremongers prophesied, the US telephone system would suffer escalating prices and plummeting quality. Worse, AT&T would suffocate its fledgling long distance competitors, the seven independent new regional companies – the Baby Bells – would fall apart and Bell Laboratories, fount of some of the most important electronic inventions in the past 50 years, would dry up.

None of these has come to pass – but neither has divestiture anywhere near fulfilled the promise of breathtaking innovation in a largely unfettered marketplace. If Bell wept today, it would be from frustration with the regulatory restraints still hobbling development of the instrument he invented and the industry he founded.

"Our customers are not realising the benefits of a competitive market place because we are constantly constrained by having to go to regulatory bodies," says Mr Robert Allen, AT&T's chairman. "We're still pervasively regulated," so chipping away at the rules remains one of his main tasks. "My fondest desire would be to have an absence of regulation five years from now but I don't expect that to happen."

Thus, for AT&T, the past five years have been an exercise in corporate rebirth not deregulation. Groping for a new role, AT&T made several grave strategic blunders. Only in the last year or so has it looked as if it had a clear and practical idea of what it should become: an integrator of telecommunications services based on long distance networks.

Its worst mistake was to bet heavily that the telecommunications and computer industries would converge in a seamless new technology. Everything went wrong. It lacked competitive products and an aggressive sales force to take on International Business Machines and other computer heavyweights. (IBM's attempts to move from computers to telecommunications also foundered, culminating in the sale of its Rolm division last year.) Analysts estimate AT&T's operating losses from computers have totalled up to $3bn since divestiture.

"By the end of 1986 they figured out that the path they were following was a road to ruin," says Mr Jack Grubman, an analyst with PaineWebber in New York. It was double jeopardy since AT&T had let two new competitors, MCI Communications and US Sprint, make much of the headway in its core long distance business.

Out of that self-discovery has grown the true revival of AT&T, first under Mr James Olson, chairman until he died suddenly last April, and then Mr Allen. It is investing heavily in fibre optic transmission so as to catch up with its all-fibre long distance competitors on costs, productivity and array of services. It is giving its computer group the tools to accomplish a more modest task. Products are flowing far faster from laboratory to market place. Above all, it is beginning to fight more leanly and meanly for business.

The workforce has shrunk by 20 per cent since divestiture, accelerated by a hiring freeze since last July. More than 3,000 employees have moved from administration to swell a sales force more tightly targeted on customer industrial groups. They are armed now with "a passion for winning," Mr Allen says. "We've all had our noses bloodied a few times but we're learning how to win."

AT&T is still plump, though. The grey-pink granite cladding of its landmark Manhattan headquarters, shaped like a fat tombstone with a Chippendale top, cost Connecticut a hillside. Elevators display neatly printed menus of the week's subsidised staff meals.

Its sales, marketing and general administration costs have grown far faster than revenues, partly because AT&T spent more on television advertising in the first half of 1988 than did the entire office equipment industry, according to Mr Grubman of Paine Webber. Such expenses now account for 35 per cent of revenues compared with 32 per cent at IBM and 23 per cent at Digital Equipment, a major computer maker.

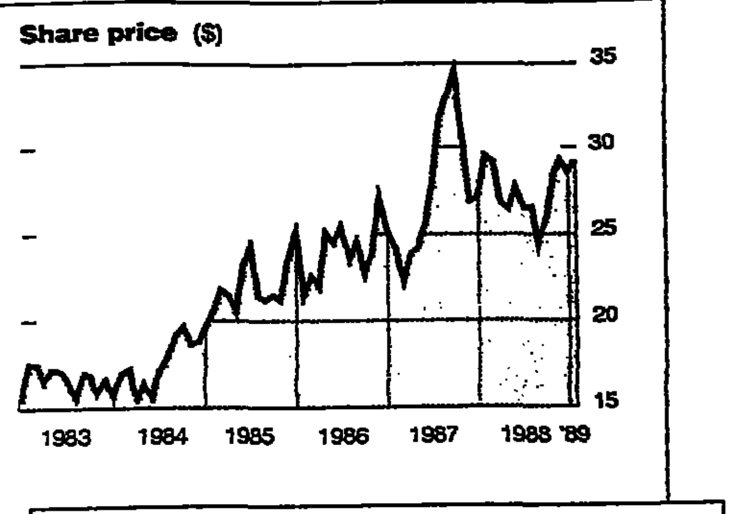
"A 100 years from now AT&T will still be a bureaucracy but hopefully one like General Electric – a big, well-managed company," Mr Grubman says.

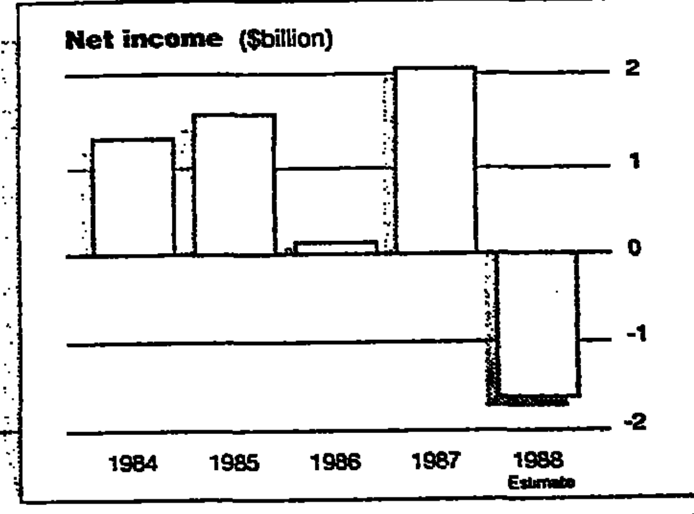
Senior management are frank about the work left to do. AT&T is still trying to mould an international strategy. It is expected to confirm this week that it will take part in the consortium trying to bid for Britain's General Electric Company. A joint venture with Philips of the Netherlands has yet to pay off and the bloom is off its minority interest in Olivetti of Italy. "Progress towards becoming an international company has been much harder than we expected, but that's still our goal," says Mr Morris Tanenbaum, vice chairman and chief financial officer.

Cost cutting accounted for much of the modest increase in net profits from $1.37bn in 1984 to $2.04bn in 1987. They would have hit some $2.3bn in the upcoming results for 1988 but a $6.7bn write-off of analogue telephone equipment made obsolete by fibre optics will give AT&T its first loss in its 103-year history. Its five-year plan calls for 20 per cent return on equity, but it managed less than 14 per cent in 1987.

Revenues have barely edged ahead 5 per cent in the past five years but a pick up in product sales this year gives some hope that the company is getting its marketing and manufacturing act together.

Mindful of these changes, Wall Street began to warm to AT&T more than a year ago. In fact investors in on the break-up have already done well thanks to the superior performance of the regional Bells. A person holding 10 AT&T shares worth $615 at divestiture got stock in the new AT&T and Baby Bells which grew to be worth $1,300 at the end of last year, a five-year rise of 111 per cent compared with only 72 per cent for the Dow Jones Industrial Average.





Users have also benefited from divestiture although they are still learning how to chose equipment and providers of long distance service. Most dramatically, AT&T has cut its long distance rates by 38 per cent over the past five years. Peak charge for a 10-minute call from New York to Los Angles is a mere $2.75, for example.

Growth in volume has come more from data transmission and overseas calls than domestic voice. AT&T has targeted both areas which are growing at about 20 per cent a year. It still commands some 75 per cent of long distance service, though its main rivals, MCI and Sprint, are far tougher competition than their 11 per cent and 8 per cent market shares might imply. The rest of the market is mainly held by a gaggle of minor service companies that re-market circuits from the three networks.

The rush into fibre optics, led by Sprint, has transformed the US telephone system. The principal benefits are improved technical quality – making any long distance call sound like a local one – and the opportunity for new services. Mail order merchandising has boomed on a wave of toll-free calling. Better data networks are allowing airlines, car rental companies, banks and others greatly to improve their services to the public.

The break-up of AT&T also ended subsidies to local service from long distance revenues. Typically, local calling charges have risen some 55 per cent since then, offset partially by lower equipment costs. Rather than leasing telephones from the old AT&T, users are now buying their own. A home phone can cost as little as $10 to buy, compared with a rental fee of around $28 a year in the early 1980s.

Totalling all the costs, US phone service has risen since divestiture by some 16 per cent, or fractionally less than inflation. This is deceptive, however, since phone costs had risen only one third as fast as inflation over the previous 50 years as phones became universal.

Domestic customers may still miss the pre-divestiture convenience of one-stop shopping at Ma Bell's for equipment and all services but they are undeterred by the prices. Now 92.9 per cent of US households have phones, up from 91.4 per cent five years ago with the biggest increase among old people.

They have not yet got much more for their money unless they make a lot of long distance calls. The biggest winners are commercial users who now have far greater flexibility to devise the telecommunications systems that best and most economically suit their needs.

Ever-developing technology holds the promise of far bigger benefits to come for both home and business users. Households will enter a true information age, for example, when it is economic to bring fibre optic cables right into homes. A whole host of services such as video-phones, high definition television, home shopping and other inter-active applications could justify the use of the high capacity cables.

All roads to such an electronic Utopia lead, though, through a narrow, rocky defile: the regulatory agencies and the Washington court room of Judge Harold Greene. He is the sole guardian and interpreter of the divestiture agreement.

Many Baby Bells, for example, itch to make equipment, offer long distance and information services and buy into cable television. He has steadfastly refused to let them, allowing only minor concessions so far as he tries to balance a welter of competing interests and claims. Congress occasionally mumbles about wresting control from him, but it looks as if he has a job for life.

The Federal Communications Commission also plays an important role in formulating and administering regulations. It is likely to approve soon the switch of AT&T's regulation method from rate-of-return to price cap. AT&T currently manages only about a 9.9 per cent return on its investment in long distance networks against an upper limit of 12.2 per cent. MCI and Sprint have no limits.

Price caps would basically freeze AT&T's rates but allow it to maximise its profits through cost cutting and greater efficiency. Mr Allen, AT&T's chairman, advocates price caps "as a step towards elimination of regulation."

While fighting these battles, AT&T is keeping a keen eye on its overall war to roll back regulation. It assumes for planning purposes, for example, that its progeny, the Baby Bells, will eventually have a crack at its long distance market.

"The realities of technology mean there will be less and less distinction and more overlap between them and AT&T," says Dr Eli Noam, a specialist in regulation at Columbia University and a member of the New York State Public Service Commission, which regulates AT&T and other utilities within the state.

"Ultimately, the effect of divestiture may have been the break up of one huge company into eight still big but more manageable companies."

More players on a more open field means more competition, efficiency and innovation. But with regulators still pulling the strings five years after evolution began, it remains far from clear what form the US telecommunications industry will finally take.

OBSERVER

Phantoms of the Opéra

■ The row over the future of the French Opéra has reached presidential level. Leading performers have flocked to back Daniel Barenboim, sacked on Friday as artistic and musical director of the Bastille Opéra by Pierre Bergé, head of couturier Yves Saint Laurent and the recently named chairman of the three Paris opera houses. Barenboim and his friends are appealing directly to President Mitterrand.

The Opéra now seems almost certain not to open on time next January. Its official inauguration on July 13 this year, in the presence of heads of government gathered for the world economic summit, could be more of a dirge than a triumphal march.

Jessye Norman, the American who was due to sing the Marseillaise at the main celebration on July 14 of the bicentenary of the storming of the Bastille, is among the artists who say they will not work at the Bastille without Barenboim. Other musicians on his side include Karajan, Boulez, Solti and Giulini. Patrice Chéreau, France's leading stage producer, who was due to direct the opening performance of Don Giovanni, says that he regards his contract as annulled by Barenboim's sacking.

"The only chance of building an opera in France on a professional basis has just disappeared. The Bastille Opéra will become like the Garnier Opéra (Paris's existing opera house), neither good nor popular," Chéreau said.

Barenboim was even sharper. "I cannot accept these public lies, half-truths, bad faith and above all incompetence when the future of a cultural project of universal importance is at stake . . . I was not willing to accept the chief executive of a fashion house telling me who was best to sing a particular role, whether Pierre Boulez was capable of conducting Pelleas and whether I should invite the Berlin Philharmonic with Herbert von Karajan to play in Paris."

Barenboim was appointed by the Chirac Government just before it left office last summer. But he is pinning his hopes on Mitterrand. "The President of the Republic and I are the only two who are still there," he says. "It is up to him to choose my presence, along with the international artists I have selected, or to accept a programming for the Opéra drawn up by a fashion executive."

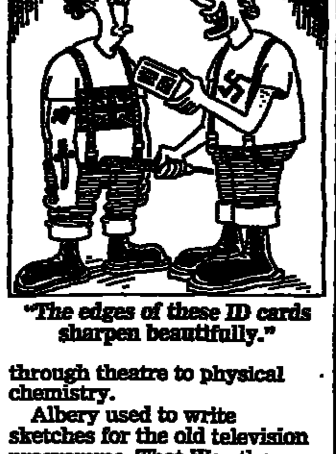
In fact, Bergé was picked for the job by Mitterrand himself at the end of August and so far retains the President's support.

Native return

■ Lord Cockfield, the former British Commissioner in Brussels, received a warm welcome from all quarters of the House of Lords when he returned to his parliamentary duties yesterday. Cockfield is angry that he is seen in Downing Street as having "gone native" in his support for the harmonisation of VAT and thinks that it is a racist slur. Still, he sat on the front bench reserved for former senior ministers and took a close interest in the second reading debate on the Companies Bill. He plans to become rather active.

Master Albery

■ University College, Oxford has chosen a real renaissance man as its new Master. There can be scarcely a subject that John Albery does not know something about: from bridge,



"The edges of these ID cards sharpen beautifully."

through theatre to physical chemistry.

Albery used to write sketches for the old television programme, That Was the Week that Was. He comes from the Albery theatre family: his first name is Wyndham. Rumour had it that in the last few years he had dropped out of those foolish things and was working on something desperately serious.

Albery says "no." He is still writing revue sketches, but only for the Christmas Cabaret of the Imperial College of Science and Technology, of which he has been Dean. The second bit is true: Albery is working on the marriage of bio- and electro-chemistry. Indeed, ensuring that he could continue to do so was a prerequisite for his move to Oxford.

University College has a peculiar statute. If it does not elect a Master within three months of the post falling vacant, an appointment is made by the Lord Chancellor. Kingman Brewster, the late Master and former US Ambassador to Britain, died in early November. The Fellows moved fast. Albery has been assured of space to conduct his experiments in Oxford, though their financing is not yet fully tied up.

In layman's terms, Albery is trying to measure the performance of the body in real time at the bedside: for instance, the glucose concentration of a diabetic. A team is already working on it in Oxford, another in Cambridge, as well as Albery's in London. Between them, the claim is that Britain is ahead of the field. Albery hopes that the London and Oxford efforts can now be co-ordinated.

His original Oxford college was Balliol, but he had a spell as a Fellow at University College when the late Lord Redcliffe-Maud was Master and was much impressed by the man. Albery says that his own role as Master will be to lead the strategic thinking, but also to delegate and to ensure that the college is a convivial centre. No doubt about the last: look forward to something like the Univ summer pantomime.

Irish Navy

■ Maureen Haughey, wife of the Irish Prime Minister, yesterday renamed HMS Swift and HMS Swallow, two Royal Navy ships recently bought by Ireland. The vessels, now the Orla and Ciara, were purchased on "generous terms" from the British, according to her husband who accompanied her. They have been re-equipped with heavy machine-guns and sophisticated surveillance systems – doubtless to help track British submarines which have on occasion been known to entangle themselves in the nets of Irish trawlers.

Steady there

■ Sign in a Lambeth pub: "It is dangerous to order drinks while the bar is in motion."

LETTERS

A question of inflation

From Mr Tom Akhurst.

Sir, In "Three telling questions about inflation" (January 9), Frank Blackaby advances the argument that inflation is moving up because of wages push, wages push has appeared because of falling unemployment, and that what the Government ought do about it is to talk to the unions.

He gives no explanation for the fall in unemployment, and to anybody whose memory stretches back to the 1970s his faith in "talking to the unions," as a means of reducing pay rises, is a touching example of the triumph of optimism over experience.

He appears quite convinced that monetary policy has nothing to do with the current rise in inflation, and appears rather puzzled that such a phenomenon should occur while the Chancellor is running a budget surplus.

Perhaps the problem is that the Chancellor, in fact, is not really a monetarist after all.

As Mr Blackaby points out, the budget surplus is being applied to "repaying the national debt." This has the effect of replacing medium to long term Government debt in the hands of asset holders with Government debt of the shortest variety: cash. Where the asset holders happen to be banks, as many of them are, the cash becomes high powered money – reserve assets – with a multiple effect on liquidity across the whole of the economy.

It is therefore unsurprising that the banks have had the will and the ability aggressively to expand consumer lending, property lending and the finance of enormous takeover bids.

The process of increasing amounts of money bidding for relatively fixed quantities of assets can hardly be expected to produce anything other than inflation. The cause is rooted in the monetary processes and institutions of our economy, and the inflationary pressure will continue until the Treasury finds a method of disposing of its surpluses that is monetarily neutral.

Tom Akhurst,
8 Knights Ridge,
Pembury,
Tunbridge Wells, Kent.

From Professor Forest Capie and Professor Geoffrey Wood.

Sir, Mr Frank Blackaby, in an implicit plea for policies which have been tried and have failed (January 9), thinks that to say: "Inflation is a monetary phenomenon and therefore must be dealt with by monetary policies," is circular.

Inflation – a sustained fall in the value of money relative to goods – can only of course occur in an economy where there is money. In economies where money is not used, a good can fall in value relative to other goods. Should one want to prevent that fall, supply must be cut back or demand encouraged.

The same is true of the value of money. If that is falling, all the Government can do to prevent the fall, unless it can encourage demand, is to cut back supply. Such policies have been used many times in the past. They have worked.

There is no evidence that any other policy can reduce inflation and keep it down, and no evidence that tolerating inflation has beneficial effects.

Forrest Capie,
Geoffrey Wood,
City University Business School,
Frobisher Crescent,
Barbican Centre, EC2

Higher US petrol prices

From Mr B.J. Howard.

Sir, Your newspaper, and your sister publication the Economist, have recently joined the many advocates of higher US petrol prices (usually coupled with lower agricultural subsidies).

You may be right that these are economically desirable. But I would ask you to allow a suburbanite ex-rancher to point out that an automobile, even if largely a luxury to suburbanites and city-dwellers, is essential in most of the US.

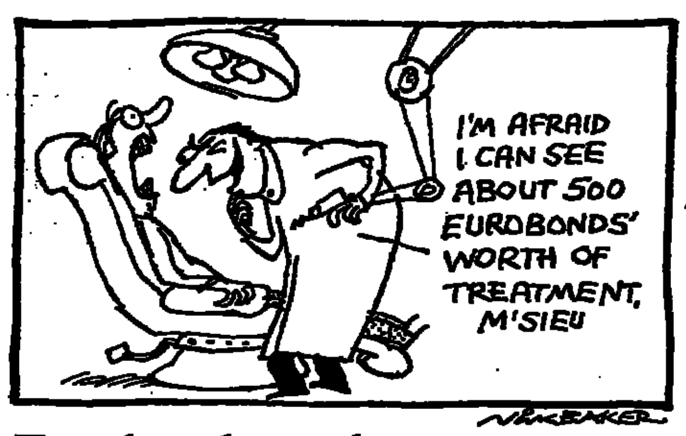
City dwellers and suburbanites have (heavily subsidised) buses and mass-transit: they can even walk to supermarkets or to visit a neighbour.

Many foreign correspondents in the US forget that, unlike London, the greater New York area contains less than 5 per cent of the US population. If you include Boston and Washington and the other US cities of the north east, it comes to only 10 per cent.

City folk forget how the "agricultural subsidies" arose. They are mainly the result of the deal struck in the 1940s and 1950s between urban and country dwellers. Then, countrymen subsidised city folk, selling produce at a fraction of the free market price in return for future guaranteed price supports. Let economists first calculate the present day value of those past subsidies by the farm sector before considering what adjustments are needed now.

Rural life is still hard; but before townsmen decide to break past promises they might hesitate before adding higher fuel costs to an agricultural sector recently battered by drought. The townsmen were fed by that sector in the 1940s. They may need it again one day.

B.J. Howard,
R.R. 2 Pinebrook Road,
Bedford,
New York 10506, USA



Taxed to the teeth

From Mr G. Bas.

Sir, Norma Cohen makes some pertinent points in her article on international bonds (December 28). However, I must take issue with her reference to the "archetypal Belgian dentists" who have traditionally formed the core of investor demand.

The implication that Belgian dentists purchase Eurobonds to evade taxes is of dubious validity. Where is the hard evidence that Belgian dentists are more inclined to tax evasion than, for example, American doctors or French lawyers or Swiss bankers – or indeed, British journalists?

I believe there is no such proof. If Miss Cohen's claim is true, then the number of dentists required to form a substantial buying force in the Eurobond market would mean that nearly every Belgian citizen would have to be a dentist.

G. Bas,
Rue Royale 250,
1210 Brussels,
Belgium

Industry impact of GEC bid

From Messrs Hobday, Morgan, von Tunzelmann and Walker.

Sir, Hugo Dixon's article (January 13) about the GEC-Siemens bid for Plessey was based on some preliminary considerations of ours. We are concerned that readers may draw misleading inferences.

First, our conclusions are those of individual members of the Science Policy Research Unit who happen to be collaborating – there is in no sense an "SPRU view" about the worth of the bid.

Our principal finding, from our preliminary studies, is that the impact of any such reorganisation of Plessey is likely to vary appreciably according to industry segment. The negative outcome for semiconductors which you report is a "worst-case" scenario for that particular segment, and positive outcomes are conceivable even in the field of such components.

Our report will seek to address not just specific issues of British (or individual firm) gains and losses, but the British role in European and global electronics, the effects of the 1992 single market in Europe, and the international restructuring of the electronics industry.

Michael Hobday,
Kevin Morgan,
N. von Tunzelmann,
W. Walker,
Science Policy Research Unit,
University of Sussex,
Brighton, East Sussex.

Farmers adapt

From Mr W.A.N. Jones.

Sir, I wonder if you are right in thinking that changes in agriculture will result in still larger farms. The reverse might well be the case.

What does seem likely is that we shall not need to use farm land so intensively. This will reduce rents on much land, providing an opportunity to consider to what use it may be put. If we obtain our needs from fewer acres, other uses become practicable.

In Britain, before the "Enclosures", considerable tracts of countryside were not cultivated intensively. This was no disaster. If natural vegetation were allowed to regenerate over part of the landscape, surely that would be acceptable to a largely urban population?

The country is accessible to most town dwellers, but it is rarely the "open" country of the travel book. It is "enclosed country", and in many areas it is difficult even to park a car off the road. It would be desirable in every way if large areas became open country, accessible to the public. (Epping Forest is a case in point.)

The Chancellor might even be in a position to finance the transfer of ownership, from private owners who can no longer earn a living on the land, to new bodies which would care for it. Do we really want to persuade Welsh hill farmers, for example, to remain in unviable occupations? If they wish to do so, is there any good reason why the public should pay?

If nearly half the total of farm income is now derived from non-farming sources, this surely shows the ability of the farming community to adapt to changing circumstances. We should support them in this, rather than try to induce them to live in the past.

W.A.N. Jones,
W.H. Jones & Co (London),
Tower House, N20

EC anti-dumping actions

From Mr Brian Hindley.

Sir, I welcome Mr Randolph's support (January 10) for my general thesis on the defective anti-dumping methodology of the European Community ("The Design of Fortress Europe," January 6). Nevertheless, his comments on the new and old EC dumping regulations might cause misunderstanding.

I tried to explain the reasoning that has led the European Court of Justice to approve methods which produce absurd results. All of the relevant court cases are based on the old regulation (Regulation 2176/84), and so the exposition of my article is also based on that regulation, which, as Mr Randolph says, was replaced by Regulation 2423/88 in August 1988.

The wording of Mr Randolph's letter, however, might leave the impression that the new regulation substantially affects the specific defects I sketch.

That is not the case. The practices I describe, which under the old regulation were based upon questionable interpretations by the Commission, are formalised and turned into explicit rules by the new regulation.

I therefore have no difficulty in agreeing with Mr Randolph that the correctness of the new regulation should be questioned. But I have no doubt of the answer yielded by objective questioning. The new regulation provides the Commission with powers to arrive at dumping margins which are at least as far removed from the truth as those it derived under the old regulation.

Brian Hindley
Trade Policy Research Centre,
1 Gough Square, EC4.

From Mr Richard E. Norman.

Sir, I read Brian Hindley's article, "The Design of Fortress Europe" (January 6) with interest and utter amazement.

My association has been involved in two dumping complaints; in both cases our evidence has been based on a comparison of retail prices in the far east with those of the equivalent products in EC markets.

Substantial dumping margins have been arrived at without deducting any costs, on the part of the producer in his local market, for sales and advertising expenses, overheads and profit. Despite this, the Commission consistently arrives at proven dumping margins between 15 and 25 percentage points below our figures.

Far from Brian Hindley's suggestion that a dumping margin of 30 per cent will be shown where none exists, our experience suggests that the Commission consistently comes up with a figure between 40 and 50 percentage points below what might reasonable be expected if only 20 per cent were allowed for selling, advertising and overhead costs in the far eastern country.

Much has been made of the term "Fortress Europe" in relation to the imposition of anti-dumping duties. In our experience it is very hard work even to convince the Commission to accept a complaint – and this is normally followed by almost 12 months' delay before provisional duties are declared.

During this time very substantial injury is suffered by local producers. In practice, there is never any retroactivity in the application of duties. Nor is there any compensation for the injury suffered by those companies affected by dumping.

Mr Hindley seems to belong to the small but vociferous band of "free traders" who spring to the defence of exporters from far eastern countries or, misguidedly, to defend the EC consumer. The former normally have a very positive balance of trade towards Europe, and do not need to be pitied; while the consumer is frequently also a producer who deserves protection against unfair trade practices. Any benefit to the consumer from lower prices as a result of dumping is likely to be short-lived.

Richard E. Norman,
Chairman, European Association of Consumer Electronics Manufacturers, (EACEM),
c/o Ferguson Ltd,
Cambridge House,
Great Cambridge Road,
Enfield, Middlesex

'EC motor industry's excuses have fallen by the wayside'

From Mr Vic Heylen.

Sir, Your article headlined "European motor industry is seriously flawed" (December 8) shows an unexpected element of surprise. Insiders have known for a long time that the European car industry is in general hopelessly uncompetitive.

Production costs are so high and quality so low that, except for some luxury models, all hope of competing on world markets has long been given up – and the home market needs to be protected very effectively against Japanese competition.

All (so far known) arguments and excuses to explain both this sad state of affairs and the need for stringent import restrictions against damaging Japanese imports have fallen by the wayside. First, there was the undervalued yen; then the low Japanese wage costs and abominable Japanese working conditions. These were followed by the argument "let them build their cars where they want to sell them," implying that, when having to produce under European conditions, the Japanese production cost advantage would soon melt like butter under the sun.

In the meantime the Japanese yen has almost doubled in value, Japanese wage costs expressed in dollars are among the highest in the world, and Nissan cars built in the UK have difficulties in gaining acceptance as being of European origin.

As for social conditions, it is the European carworker who is now putting in 10 hour shifts in Belgian and West German car plants in order to increase machine running time and to try to amortise often ill-conceived and expensive automation.

Ill-conceived, because European manufacturers with – so far – an excellent record for quality have not been able, since the widespread introduction of automation, to bring a new model to the market without serious quality problems (Mercedes 200-series, Ford Scorpio and Opel Omega, among others).

This leaves us with only one – but widely used – argument: that import restrictions are needed because of Japanese non-tariff import restrictions, denying European cars free access to the Japanese market.

This, however, has not prevented German manufacturers from winning a 30 per cent market share of the Japanese market for cars with engines over 2 litres. Japan is now Daimler-Benz's biggest outlet for its S-class models, and if West German car exports (in D-Marks) to Japan increase during the next two years at only half the rate they increased last year, West Germany will have become a net car exporter to Japan as early as 1991.

This proves that access to the Japanese market is not as difficult as less efficient manufacturers always want us to believe.

Vic Heylen
Analyse Auto,
Antwerp,
Belgium.

FOREIGN AFFAIRS

Part of the machine is faltering

Jurek Martin assesses Japan's response to the death of Emperor Hirohito

Perhaps all along there were four moving parts to Japan's post-war machine. Japanese and foreigners alike had tended to identify only three – diligent businessmen, skilled bureaucrats and artful politicians – but it is now surely at least arguable that the sleeping or symbolic partner, the Emperor, was the vital added ingredient that somehow legitimised the activities of the other three in the eyes of Japan's only great natural resource, its people.

Other nations have fought for king (sometimes queen) and country, as Japan did for Hirohito. In peacetime such sentiments are less easily articulated. The apparent indifference with which most Japanese viewed the Emperor before his illness suggests that the feeling was quite deeply buried, but some interesting strains of thought have surfaced in Japan since his passing that attest to a deeper connection than might have been imagined.

To many, it may have been because he endured so long, through good times, bad and good again; to some there may have been a subconscious sense of shame that they had failed him in a war that he may or may not have wanted but surely could not have prevented; a few were perhaps moved by simpler, more worrying nationalism.

Such thoughts might seem fanciful in the Japan of today, mostly engaged in the pursuit of wealth and what it can buy, often to the mindless exclusion of all else. But there is a great Japanese tradition of the epic, not only in traditional arts and literature but even in contemporary television and film, as anybody who has ever seen a Kurosawa film will understand. Hirohito's reign undoubtedly saw the nation engaged in epic deeds .

So if he was important not simply as an historical figure then his death serves as an opportunity to examine the current health of the machine's constituent parts. It is safe to say that the imperial institution is in reliable, if unexciting, hands. Akihito may be more modern and accessible than his father, and possibly, therefore, more vulnerable, but he will be just as much of a constitutional monarch. He has been trained, for virtually all his life, to be just such. The next imperial generation may be different but, given Japanese longevity, that presumably will not show up until well into the 21st century.

Nor, if the performance of the Japanese economy is any guide, can there be much wrong with the leadership qualities of business and the bureaucracy. Not that either are immune from criticism. An extreme reading of the Recruit Cosmos scandal, which has knocked off two Cabinet ministers, one very famous businessman and some ranking civil servants, and which might claim other scalps, is that there is something rotten in the state of Japan. A more sober assessment is that it has merely exposed the extent to which favours, in this case the placement of shares at favourable prices with influential people, are routine, not just for up-and-coming businessmen, like the head of Recruit, but also for those who have been around for a long time. This is hardly a staggering revelation.

Critically, as far the reputation of the bureaucracy is concerned, it has been confined to those domestic pork barrel ministries which, in Japan as elsewhere, have always been notorious for corrupt practice. So far the mighty mandarins of finance, trade and foreign affairs have not been sullied.

Neither they, nor the business hierarchy, can afford to be complacent, however. It may be that the challenges posed in this decade by the appreciation of the yen and the need to internationalise will pale into insignificance compared to those which lie ahead. These include the ageing of the country, a decline in conventional work habits and loyalties, new competitive pressures from Asian neighbours and perhaps the European Community, and coming to terms with changes in the Soviet Union and the United States. But so far these policy makers have not been found wanting, and betting against their continued vitality would be risky. Both groups now seem to be producing impressive new outward-looking leaders. Now that Japan has a bigger world role to play there is enough to keep them engaged.

The LDP has increasingly lapsed into the passive, albeit creative, art of mostly looking after its own

It is a pity that the same confidence cannot be applied to the final partner, the political establishment, which is beginning to show its age in more ways than one. this might seem a harsh judgment, since the government of Mr Noboru Takeshita has just pushed through a major, and probably necessary, tax reform bill and since his Liberal Democratic Party is often cited as the model for the Thatcherite contention that there is such a thing as a natural (and naturally conservative) party of government.

Yet it can be argued that the tax bill was too long in the making and served to distract Japan from tackling more fundamental structural problems, such as the ageing society and the untenably high price of land. Equally a more accurate comparison of the two political systems would focus on the parlous state of the respective opposition parties and would note that the centre-left in Britain has yet to fall into the irrelevance that has been accepted, far too willingly, by its Japanese counterparts. In contrast, Mrs Thatcher's government has ruled, whereas the LDP has increasingly lapsed into the passive, albeit creative, art of mostly looking after its own.

In this respect, the Recruit Cosmos affair is the perfect epitome, because it is all about new money and old ways. It was not so bad or even surprising that Mr Kiichi Miyazawa had to resign because, whatever his skills as Finance Minister, he was widely known to be a political innocent. But for Mr Takeshita to lose a Justice Minister after only three days, on the revelation that he had been taking money for Recruit for upwards of a dozen years without apparently knowing about it or telling his Prime Minister, denotes a peculiar form of insensitivity, or carelessness, or both. There is hope in the LDP. One of its rising stars is Mr Yoshiro Mori, who has already served in the Cabinet and who is different enough to retain a young foreigner on his staff to advise on external and agricultural affairs. Mr Mori also was implicated in Recruit but was canny enough to come clean even before the scandal made the headlines. He has not suffered in consequence. But, by common consent, the Mori generation, who go under the wondrous name of the "neo-new leaders", is at least ten years away from reasonable hope of running the party.

In the meanwhile, the old men, representatives of the special interests who comprise the LDP, will continue their introspective ways. This was fine so long as the Japanese themselves were intent mostly on going about their own business. But the fractures in Japan's internal homogeneity are appearing. The even distribution of the spoils that so marked the post-war recovery and which eventually led just about every Japanese proudly to claim middleclassedness, is breaking up. Real wealth is now accruing to those who have land or stocks, less to those with neither asset. Envy, an un-Japanese emotion, is rearing its head. The great strength of the LDP has been its ability to stay close to public opinion; there is a suspicion now that it is losing this knack.

It is going to need all the moving parts to be functioning well to handle these sorts of changes. Three of them, including the imperial institution, are doing all right; the fourth, the ruling party, needs tending.

FINANCIAL TIMES
Tuesday January 17 1989

Rocard to break up control of privatised groups

By Paul Betts in Paris

THE FRENCH Socialist Government is planning legislation in the spring to break up the Gaullist-dominated hard-core shareholding structures of the big financial and industrial groups privatised by the former right-wing administration.

It is also intending to strengthen the Commission des Operations en Bourse (COB), the stock market watchdog agency.

The two moves form the spearhead of a Socialist effort to regain the political initiative as Mr Michel Rocard's Government came under intensified attack from the right-wing opposition over the twin insider trading scandals involving Pechiney and Société Générale.

The polemic has now relaunched the controversy about state ownership and privatisation which had been frozen by President François Mitterrand in his election manifesto last year.

Although the President promised no renationalisations last year, Mr Jean Pierre Chevenement, Defence Minister and leader of the Ceres left-wing faction of the Socialist party, raised the possibility at the weekend of bringing back privatised groups such as Société Générale into the state sector.

Other Socialist leaders have also backed the Government's proposals to accelerate the process of breaking up the hard-core shareholding structures of industrial and financial groups privatised by the former Gaullist administration.

However, the Socialist counter-attack is unlikely to calm the political storm inside and outside the Government caused by the Société Générale and Pechiney affairs in the current highly charged political climate two months before important municipal elections.

Indeed, the right-wing opposition parties are talking of a new financial "Greenpeace" affair in reference to the scandal which shook the former Socialist government of Mr Laurent Fabius four years ago when French security agents sunk the Greenpeace ship, Rainbow Warrior, in New Zealand.

President Mitterrand and Mr Rocard have also both been forced to intervene directly in the growing political furore over Pechiney and Société Générale by publicly renewing their support for Mr Pierre Bérégovoy, the Finance and Economy Minister.

The latter demanded the Prime Minister's intervention last week after Mr Roger Fauroux, the Industry Minister and former chairman of Saint-Gobain, embarrassed him profoundly by saying in an interview that the Société Générale affair was a far more serious issue than the Pechiney allegations.

Mr Fauroux suggested there had probably been much larger insider trading gains made during the raid on Société Générale last year by Mr Georges Pebereau, chairman of Marceau Investissements, than in the subsequent insider trading affair involving Pechiney's acquisition of the US Triangle Industries group.

Mr Fauroux also criticised the participation of the Caisse des Depots et Consignations, one of the country's leading state financial institutions, in the Société Générale raid and called for a change in the state group's statutes.

Mr Bérégovoy, who had tacitly supported Mr Pebereau's raid designed to break up the Gaullist-dominated hard-core shareholding structure of the privatised bank, had earlier said that the COB had found no cause to launch an insider trading investigation. Mr Fauroux, for his part, said the COB should have conducted an investigation.

Mr Rocard subsequently issued a statement supporting Mr Beregovoy and confirming the Government's intention both to introduce legislation to strengthen the powers of the COB and to breakup the hard-core shareholding structures of privatised groups.

He said the Government wanted the Paris financial markets to be "fully transparent". At the same time, he attacked the Gaullist privatisation policy and hard-core shareholding structures by saying: "It is intolerable that one party has seized directly or indirectly control of economic vehicles which are crucial to the life of the country."

Korea trades away its divisions

Maggie Ford reports on a thaw through growing economic ties

IN the customs office of the port of Pusan in South Korea, a highly symbolic shipment of more than 600 oriental paintings, celadon pots and other handicrafts is being cleared.

The shipment follows two others, consisting of fish and clam shells, equally symbolic though not so artistic. All the goods have been imported by local companies from North Korea, the first time the two countries have traded publicly.

Both sides in recent months have launched their own diplomatic initiatives to ease tension, and have tried to cast doubt on each other's desire for peace. But perhaps the best hope for progress between the two Koreas will lie in economic links, where propaganda and ideology are less important than hard financial facts and mutual economic interest.

South Koreans at Panmunjom, on the North-South border

Later this month Mr Chung Ju Yung, founder of the Hyundai business group, will travel to Pyongyang to discuss business opportunities, a sentimental journey for South Korea's most well known businessman who was born over the border in 1915. He may be followed by others.

Business between the two estranged halves of Korea, divided since their liberation from Japanese colonial rule in 1945, is being conducted through third countries such as Japan and Hong Kong. So far, it marks only very tentative steps towards a thaw in their relationship. But a further sign of a thaw came yesterday when North Korea agreed to South Korea's proposal to hold the highest-ranking political and military talks on easing their tense relations since the Korean War.

This is being accompanied by efforts on both sides to start talks on several issues, including student exchanges and sports co-operation.

The flurry follows the decision by President Roh Tae Woo of South Korea to follow his "Northern policy" designed to develop links with communist nations with a view to breaking the deadlock between North and South Korea.

The policy was launched last year at time when Seoul judged the international climate to be mellowing and ideological confrontation beginning to diminish. Pushed strongly during the Seoul Olympic Games, it resulted in a surge of interest among Koreans in all things Eastern, including business links, sports, culture and art.

Since then South Koreans have been viewing Soviet movies, buying Chinese rugs and pottery in department stores and ordering Hungarian wine with their meals. Hungary, the leading East bloc country to co-operate with the policy has set up a permanent mission in Seoul with a representative, formerly ambassador in Pyongyang, who speaks excellent Korean.

Daewoo, one of South Korea's top four companies is to open two joint ventures in Hungary. Yugoslavia has set up a trade office in Seoul, as have two Chinese provinces, and the Soviet trade office agreement is expected to be signed next month. Trade with all Eastern bloc countries has notably increased.

Businessmen last year scurried to China in the hope of useful opportunities and trade this year is expected to double to $3bn. But investment opportunities were stymied by China's need to deal with economic overheating and businessmen returned in sceptical mood with only fairly minor investments agreed.

They are now lining up to get visas for the Soviet Union. Initial reaction to Moscow's approaches and its apparent need for speedy action is favourable.

Negotiations are continuing over a $270m ships order for Hyundai Heavy Engineering and construction companies are bidding on a $40m trade centre in Nahodka in Siberia. A joint venture to make fur coats is also under negotiation.

But while the development of co-operative links between East bloc countries and South Korea is clearly being seen as in the interest of both sides, breaking through the mistrust, lack of information and competitive instincts bred by years of confrontation with the North is proving more difficult.

Earlier this month at preparatory talks for a parliamentary meeting between the two sides, the North Korean delegation brought up a thorny question which has disrupted several efforts at rapprochement before.

How, they asked, could there be friendly talks between the two sides when a threatening military exercise involving 200,000 US and South Korean troops, was being held in the south of the peninsula?

The exercise, codenamed Team Spirit and the largest in the world outside the communist countries, is held every year and is regarded as a defensive deterrent by the US and South Korea.

A series of statements issued by an anonymous government spokesman appeared in the Seoul press. One report suggested that Team Spirit would be symbolically reduced in size this year and cancelled next. The Defence Department denied that there would be any change. A US military spokesman said the army was not aware of any alteration in plans.

Further conciliatory statements appeared. The Education Ministry hinted that students would be allowed to attend a planning meeting with Northern colleagues before a visit later this year. A Northern proposal for military and political talks was accepted and upgraded in level. Another for a joint team at the 1990 Peking Asian Games was quickly accepted.

President Kim Il Sung's new year message, which included an invitation to political, church and dissident leaders, was rejected as being insulting to President Roh, but the South Korean leader emphasised in his new year message that the South had no intention of isolating the North and was sincere in its wish for dialogue.

Though the attitude of the US is apparently under discussion, the transition between presidents will undoubtedly hold up any new policy.

The Daewoo business group, which has spent $100,000 importing the North Korean art on the Pusan docks will certainly hope that a picture can mean more than a thousand words.

North Korea agrees to talks, Page 3

Nigeria eases curbs on foreign investment

By Our Foreign Staff

NIGERIA has eased restrictions on foreign investment, in a move designed to boost the country's privatisation programme, speed up a debt-conversion scheme and reinforce the role of the private sector.

The move, long under consideration, was announced over the weekend by President Ibrahim Babangida.

He said he had abolished the 40 per cent ceiling on foreign holdings, which applied to a wide range of activities and was imposed in the 1970s. Henceforth, foreign investors will be allowed to acquire a 100 per cent interest in a Nigerian venture, with the exception of banking, insurance, petroleum prospecting and mining, where a 40 per cent limit on outside involvement remains in place.

The news coincides with a renewed commitment by the government to a privatisation programme, outlined in principle over a year ago, which identified 96 companies that were either to be sold to the private sector or to be put on a commercial footing.

In his budget address earlier this month, Mr Babangida said the government was pressing ahead with the policy.

The first sale is due this month, when the government puts its 7.8m shares in Flour Mills of Nigeria on the market. This will soon be followed by a sale of a fifth of the government's share in African Petroleum.

The administration hopes that lifting ceilings on foreign investment will encourage holders of promissory notes, issued to trade creditors in lieu of cash payments, to take advantage of the country's debt conversion scheme, launched last year.

Under the scheme, noteholders are entitled to convert their dollar-denominated notes into naira at the going rate. The proceeds can then be invested in new or existing enterprises.

One hurdle to the scheme's success has been the reluctance of many note-holders to invest in Nigeria unless they had effective control of the enterprise. The President's decision to revoke the old legislation makes this possible.

Promissory notes worth nearly $5bn have been issued to creditors, but so far only a small fraction of note-holders have taken advantage of the debt-conversion scheme.

The move was welcomed yesterday by the Nigerian business community. "This is a quite dramatic new development," said Mr Rasheed Gbadamosi, chairman of the National Industrial Development Bank. "Major manufacturing areas like petrochemicals, car manufacturing and computers are now wide open for foreign investment. It is an excellent move, particularly seen in conjunction with the government's plans."

THE LEX COLUMN

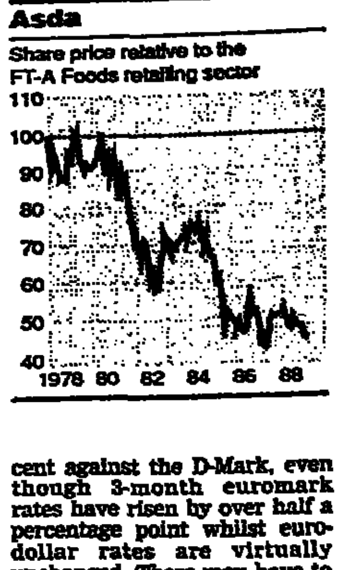
The penny drops in the high street

Consumer spending is turning at last. That might seem a hasty judgement on the basis of such chancy evidence as retail sales statistics, but with all the usual provisos, things are looking that way. Not only have the numbers fallen for two months running, but the latest CBI/FT survey for once tallies in its gloom with the findings of the DTI.

That said, any fall in expenditure should be treated with care, and the near half-point rally in the long gilt contract yesterday was going it a bit. After all, sales in the fourth quarter were still up by a healthy 5.5 per cent, which is clearly not the stuff that lower interest rates are made of. Taken alone the figures may suggest that there is no need to raise rates any further, but the Government may not be entirely convinced. As the whole point of increasing base rates to 13 per cent was to curb inflation – controlling expenditure being merely a step in that direction – any bad news on prices could change the picture radically. Indeed, if the earnings figures on Thursday show any rise from the present 9 per cent – and the level of wage settlements in the last few months and the strength in the economy make that a real risk – then higher rates could be in prospect again. In all, the foreign exchange markets seemed to have got the measure of the thing yesterday, with the sterling index barely budging.

Asda

Share price relative to the FT-A Foods retailing sector



US dollar

As a large number of the major players in the world's foreign exchange markets were on holiday yesterday, it would be wrong to read too much significance into the fresh surge in the dollar. Tomorrow's trade figures from the US and Japan should be far more important to the currency's performance over the medium term, since they are unlikely to show any dramatic improvement in the chronic imbalance between the two – indeed, America's trade deficit with Japan will probably have widened even further.

But for the moment, such mundane economic data are having little impact on the dollar. The chartists have their explanations for the currency's recent burst of strength, and the more fundamental investors talk of interest rate differentials. However, it is debatable whether these sorts of reasons for the dollar's strength will stand the test of time. Since November the dollar has appreciated by 8 per cent against the D-Mark, even though 3-month euromark rates have risen by over half a percentage point whilst eurodollar rates are virtually unchanged. There may have to be a further rise in official West German interest rates before the point is driven home.

RHM

Conspiracy theorists could make much of the fact that RHM has brought out a defence of its system for valuing brands just as Goodman Fielder is rumoured to be returning to the offensive. Rumour is probably wrong about that. Having failed to find a buyer for its RHM stake, Goodman has apparently considered seeking a partner for a joint bid, but with little sense of conviction. More to the point, the Accounting Standards Committee, goaded by accusations of apathy while the British balance sheet disintegrates, will be meeting next week to put together a holding statement on accounting for brands.

There is still much to be said for RHM's initiative in principle, but it poses problems which yesterday's document does not fully address. To be properly definable as an asset, a brand should be something which can be detached from both fixed assets and goodwill, and sold off separately. RHM concedes that only those elements of profit which result from a brand's identity should count towards its value, but is vague on how those elements are defined. Again, in continuing to insist that any diminution in brand value should be written directly off reserves, RHM goes against the principle that changes in value should be charged against income.

The method also lacks clarity on the most basic problem of all. A balance sheet, says RHM, "purports to show the underlying financial strength of a business". Even those who are sure they understand that might hesitate to agree with it. Come in, the ASC.

Mortgage finance

Back in the summer, new issues in the UK's £6bn mortgage-backed securities markets were running at two or three a month, but the jump in interest rates and the sharp slowdown in mortgage demand has stopped the supply. Some of the new generation of lenders who have used the market to finance their rapid expansion may no longer be as visible as they were, since the building societies are now winning back share in a declining market. However, forecasts of the market's imminent demise are premature. Even though the secondary market may not yet be big enough to tempt the institutions out of gilts, a recent study by Baring Brothers uses the narrowing of spreads to underline growing investor interest. Over the next year or so, some of the founder members might start being replaced by the big banks and the building societies.

Asda

The 5p rise in Asda's share price which greeted a set of unexceptional figures was a big departure for a company used to seeing its shares fall every time it meets City retailing experts. The difference is a simple matter of confidence, but as the promise of Asda is all in the future, confidence is critical. The interim results were inevitably agnostic about the success of the great investment programme; a 0.5 per cent underlying increase in volumes may have been a little low, in view of the number of face-lifts given to stores recently, while the margin growth is also unremarkable. The company points out that if some £7m of development and other miscellaneous costs are stripped out, then the performance is much better; but as most of these costs are likely to be repeated, the case for such an adjustment is thin. Unfortunately, when it comes to the non-food profits Asda cannot win either way. The company has been penalised for its heavy exposure during the past year, and the unexpectedly strong performance of these bits in the first half may merely make people fear that the crunch will be worse when it comes.

Norway may postpone major gas project

By Karen Fossli in Oslo and Max Wilkinson in London

THE development of Norway's giant Troll gas field in the northern North Sea may have to be postponed as a result of tough bargaining over the future of the smaller Sleipner field, according to officials in Oslo.

The two projects were closely linked in a $60bn gas contract which the Norwegian government signed with a consortium of continental buyers in 1986. The buyers were to take gas first from Sleipner and then from Troll, which is expected to last well into the next century.

Last month Statoil, the highly indebted state oil company, suggested that it might postpone the Sleipner project. However, this provoked opposition from Exxon, Statoil's largest partner in the project and from the buyer's consortium, which was unwilling to vary its contract.

Norwegian Gas fields

Last month Statoil was considering whether to abandon the NKr15bn (£2.25bn) plan to develop the Sleipner gas field in the central North Sea. This would have been part of a scheme to reduce its debts, now close to 90 per cent of its capital and rising at a time when the outlook for gas prices has weakened.

However, the company is now expected to announce formally its intention to continue work on the project and to identify other projects where work could be delayed. Sleipner is scheduled to come on stream in autumn 1993 with Troll following in 1996.

Both Statoil and the Norwegian government, whose oil-driven economy has been hit by low world crude oil prices since 1986, are seeking ways to optimise investment obligations including project deferments.

Statoil said that stopping the Sleipner project will be too costly because of work already underway. However, it would not be too late to defer the Troll project. The licencees do not intend to agree final designs for the huge concrete platform until the second quarter of this year.

Norwegian and foreign gas experts agree that there is scope to delay Troll by up to two years, although Shell, operator of the field, claims there have been no discussions among the licensees on this subject.

Shell, however, admits that there is design flexibility with regard to the capacity level which is at present expected to be 16.5bn cubic metres (BCM).

Commodities, Page 32

WORLD WEATHER

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Soviet harvest shortfall

Continued from Page 1

duction as his top priority in the economic reform process, putting all his hopes in a big switch to leasehold tenure on the country's huge collective farms.

His plan is to make Soviet farm workers once more the "masters of their own land," in apparent reversal of 60 years' dedication to the creation of a rural proletariat.

However, the leasehold system has proved slow to catch on, discouraged both by collective farm managers unwilling to lose their authority, and by prospective tenant farmers proving fearful at the prospect of such independence.

Mr Gorbachev has ordered the considerable forces of the Communist Party to concentrate on agricultural reform, and summoned a full-scale Central Committee plenum in March to define its full extent.

Western agricultural observers in Moscow believe the disappointing harvest will still be seen as a setback, despite arguments that the reforms have yet to take full effect.

Reagan to ease Libya oil deals

Continued from Page 1

after President-elect George Bush takes office on Friday.

In moving to lift controls on the companies, President Reagan will be taking another politically sensitive decision out of the lap of the incoming Administration. Although US officials yesterday insisted that Washington's basic attitude to Libya would remain unchanged by the decision, it may pave the way for an easing of tensions between the two countries in coming months.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 17 1989

INSIDE

New moves in the name game

Just what is the value of a company's brands? Ranks Hovis McDougall, the UK foods and bakeries group, yesterday stepped back into the "brand valuation" controversy, which is currently raging in the accountancy world. It set a value of £678m on over 50 brands in its 1988 balance sheet, but stressed that this figure was based on current cost rather than market value. Nikki Tait explains why RHM chose to break with more conventional valuation methods. Page 30

West German treble chance

A three-way choice faces international fund managers contemplating the West German market this week: To carry on investing, switch to second or third line stocks, or give the market a miss in view of the impressive rally already staged this year. Each of the three strategies has its proponents, reports Haig Simonian. Page 44

Record breaking glass

A French group with a European base and global ambitions is how Mr Jean-Louis Beffa (left), chairman of Saint-Gobain, sees the company he has guided carefully through the political minefield of French privatisations. Paul Betts in Paris examines the no-nonsense industrial strategy of Mr Beffa and explains the way in which this has enabled the glass and packaging giant to achieve the record profits which are expected to be announced this Thursday. Page 22

There's tin in them thar hills

Over the years Bolivia's tin mining industry has piled up mountains of waste material containing small, but not insignificant, traces of the metal. Following heavy job losses in the sector, the country's miners' union is pressing for the biggest of these deposits to be reworked, using advanced extraction techniques. But the Bolivian Government and Comibol, the state-owned mining company, remain to be convinced of the viability of the plan. Page 32

Dark horse of the BP stable

Even in its native Canada, few have heard of Qit-Fer et Titane. Yet this titanium slag, iron and steel producer has recently been the most consistently profitable of British Petroleum's minerals operations Page 20

Australians have a bash

Markheath Securities, the UK arm of the predatory Australian company Adelaide Steamship, has suddenly been displaying an interest in an obscure British metal-bashing company called Camford Engineering. Page 31

Market Statistics

Base lending rates	48	London share service	38-39
Benchmark Govt bonds	24	London traded options	24
European options exch	48	London tradit. options	24
FT-A Indices	24	Money markets	48
FT-A world indices	44	New int. bond issues	23
FT int bond service	23	World commodity prices	32
Financial futures	48	World stock mkt indices	41
Foreign exchanges	48	UK dividends announced	29
London recent issues	24	Unit trusts	34-37

Companies in this section

Anglia Television	31	Heritage	29
Asda	31	Hoechst	20
Aviva Petroleum	31	Homestake Mining	21
BP Minerals	20	Lex Service	31
Barr (AG)	31	Lodestar	21
British Coal	31	London Int'l Group	30
Burger King	20	London Scottish Bank	30
CNP	21	London Shop	30
Camford Engineering	31	Man Hanover	20
Canada Malting	20	Midland Bank	20
Cassidy Brothers	31	North Kalgurli	21
Celanese Canada	20	Northern Telecom	29
Chase Manhattan	20	Norwest Holst	29
Cummins Engine	20	Parkfield Group	31
Dalepak Foods	29	Peel Holdings	30
Dan Perkins	31	Penwest	20
Europa Minerals	30	Plumb Holdings	30
Evode Group	30	Qit-fer et Titane	20
Federated Housing	31	RTZ Corporation	30
Fletcher King	30	Rand Mines	20
GMK	21	Ross Consumer Elec	30
Gestetner Holdings	31	Saint-Gobain	22
Générale des Eaux	29	Sears Roebuck	21
Globe Inv Trust	31	Selbu Salson	21
Goode Durrant	30	Smith David	30
Grand Metropolitan	29	Sturge Holdings	31
HTV	31	Sun Microsystems	20
Hanson	30	Viking Resources Tst	31
		Yamaichi Securities	21

Chief price changes yesterday

FRANKFURT (DM)				Apple Comp.	43⅝	+	1⅜
Rises				IBM	124⅞	+	1⅜
Commerzbank	253.5	+	3.7	Mobil	47¾	+	½
Degussa	418.5	+	3.5	Texas Eastern	44	+	13¾
Falls				**PARIS (FFr)**			
Siemens	537	−	8.5	**Rises**			
Henkel	517	−	8	Raffinage	93	+	13.7
Bayer Vereins	403	−	6	Comptoir Entre.	253	+	24
Viag	344	−	2.8	Alspi	363	+	33
NEW YORK ($)				**Falls**			
Rises				Talcs Luzenac	1110	−	61
[illegible]	16¼	+	⅞	Comptoirs Mod.	625	−	37.9
Amer Medical	16⅛	+	½	Paris Rescompte	440	−	12
Amoco	78⅛	+	¾				

Japan closed. New York prices at 12.30.

LONDON (Pence)				RMC	634	+	10
Rises				Redland	446	+	12
Tr 10pc '93	£102[illegible]	+	1[illegible]	Scholes	238	+	10
Brit & Comm.	223	+	6	Sun Life	968	+	35
Cadbury Schw	347	+	8	Tate & Lyle	880	+	9
Cambridge Elec	249	+	16	VSEL	455	+	55
Concentric	254	+	13	Vosper Th'croft	210	+	7
Fletcher King	188	+	8	Warburg (SG)	299	+	8
Gestetner	227	+	11	Woolworth	265	+	11
Hammerson A	911	+	10	**Falls**			
Laing Props	590	+	26	Barr (AG)	678	−	55
Lloyd Thompson	197	+	6	Plumb Hldgs.	202	−	17
McCarthy Stone	381	+	13				
Norfolk House	178	+	23				
Optical & Med	143	+	8				

Disputes flare in GEC battle with Plessey

By Hugo Dixon and Terry Dodsworth, Industrial Editor, in London

THE long-running takeover battle between GEC and Plessey, the two UK electronics companies, advanced yesterday on several separate fronts, including a bout of legal wrangling and an appeal to the Takeover Panel.

GEC has joined forces with Siemens of West Germany to acquire Plessey. Meanwhile, Lazard Brothers, Plessey's merchant bank, has been trying to put together a consortium of international companies to make a counter-bid for GEC.

In the first of several disputes, GEC went to the Takeover Panel to ask it to force Lazard to make clear whether Plessey was going to bid for GEC or not.

GEC argued that Lazard's failure to clarify its intentions was creating uncertainty for its shareholders and making its share price oscillate unnecessarily. The Panel is understood not to have given a firm ruling either way.

The second dispute concerns the accounts of GPT, the 50-50 telecommunications venture between GEC and Plessey. The two companies have called in independent accountants because they cannot agree on the accounts.

The arbitration procedure is provided under the joint venture agreement between the two parent companies if they cannot agree on accounting issues. GEC is understood to be unhappy about the assets brought forward by Plessey into GPT, which was formed early last year. The decision of the umpire dealing with the dispute is final.

The third dispute also concerns GPT. In this case, Plessey is contending that GEC has broken undertakings given at the time of the formation of the telecommunications venture by teaming up with Siemens to bid for it.

Coverage of the GEC-Plessey battle in this edition includes: An exercise in corporate rebirth – a profile of AT&T, Page 16; the European expansion of General Electric of the US, the shake-out in Europe's domestic appliance business, and the legal wrangling between the British protagonists, Page 29.

As a result, it is claiming the right to buy out GEC's stake in GPT at a price determined by independent auditors. Such a price would not include a premium to take account of a change in control of the venture, so holding out the possibility that Plessey might be able to acquire the whole of GPT at a relatively low price.

GEC's lawyers spent the morning analysing Plessey's claim. They argue that they examined the legal position carefully before GEC/Siemens launched their bid for Plessey and that there is no merit in the smaller electronics company's case.

Meanwhile, Lazard continued consortium negotiations, although apparently at a slower pace. Mr Nicholas Jones, the merchant banker who is co-ordinating the negotiations, went to the opera last night.

Sir John Cuckney, who is due to front Lazard's consortium bid, spent yesterday in on the Continent. Mr Bob Gregory, his public relations adviser, said Sir John's trip was not principally concerned with the consortium.

The next major move in Lazard's plans are expected to come after a board meeting at AT&T, the US telecommunications giant, on Wednesday. This will consider whether to take part in Lazard's consortium.

Georges Salomon, chairman of Salomon (left) and Laurent Boix Vives president of Rossignol: On their way towards a head-to-head clash in the French Alps this season

Collision course for the downhill racers

Paul Betts looks at the growing frostiness between France's leading ski equipment manufacturers

LIKE two experienced skiers hurtling down a run, Salomon and Ski Rossignol of France, the world's two leading winter sports equipment manufacturers, manoeuvred in parallel for years, operating in the same market but each sticking to its own track.

Salomon concentrated on ski fittings and boots, while Rossignol made skis. However, as skiing enthusiasts buying equipment for the current season will soon be discovering, the two companies are now attacking each other head-on by launching new lines of equipment into what has become a very mature, flat market.

The two are squaring up for battle in anticipation of the next Winter Olympics, to be held on their home ground in Savoy in 1992. For both companies, the games will be a major opportunity to confirm their dominance of their traditional market niches and also a chance to challenge each other directly.

Selling skiing equipment successfully depends on a combination of technological improvement and good marketing – and there is no better forum in which to show off both than the Winter Olympics.

Manufacturers reckon that between 20 and 40 per cent of a racer's performance stems from the quality of his skis and this season's technical breakthroughs are the recreational skis of next year. So television pictures from the Olympics of a champion holding a company's skis represent a very large amount of free and very effective advertising.

Salomon, based in Annecy, in the mountain region of Savoy, was founded in 1947 as a small workshop by François Salomon and his son Georges, who is still chairman. It began by specialising in ski fittings and has become the world leader in the field, with 46 per cent of the world market, followed by Tyrolia, owned by the US company Head, which has 33 per cent.

As a natural extension of its core business, the company moved into ski boots and is now number two, with 25 per cent of the market, after Nordica of Italy with 29 per cent.

In contrast, Mr Laurent Boix Vives, the head of Ski Rossignol, built up the fortunes of his company, based in the neighbouring region of Isère, by concentrating on skis: it has become the world leader in the field, with about a quarter of the market.

The two groups adopted similar approaches to diversification when they looked for businesses to offset the general slowdown in the ski equipment market.

Ski Rossignol invested in tennis and launched its own line of rackets, as well as diversifying in the ski clothes business. Salomon picked golf, acquiring the American Taylor Made golf club maker four years ago.

Both are now investing heavily to expand their core businesses. Salomon has decided to launch its own line of skis, investing FFr300m ($48m) in a new manufacturing plant; Rossignol is launching its own line of ski boots as well as threatening to enter the ski fittings market.

In this new competition, Salomon is given the edge by most financial analysts. For one thing, it appears financially the stronger of the two. It had sales of FFr2.5bn in 1987 and net profits of FFr193m.

Many analysts expect its sales to have risen by around 15 per cent in 1988 and profits by a little less to around FFr220m. Its strong balance sheet has enabled the company to fund its new ski plant from internal resources.

Salomon has been buoyed by the success of its diversification in the golf business. Its sales in this area are expected to rise by about 40 per cent this year. In contrast, Ski Rossignol's diversification in the tennis market has been a disappointment, largely because of a slump in the market for equipment, which has suffered partly from the rising popularity of golf.

MOREOVER, margins in the ski fittings and boots business have remained at between 8 to 9 per cent of sales, substantially higher than that for skis.

Salomon is aiming to capture about 20 per cent of the world ski market over the next 10 years, adding about FFr1.3bn to its annual turnover.

Analysts suggest its initial strategy is not so much to tackle Ski Rossignol head on but to go for the softer target represented by a plethora of small ski manufacturing firms, many of which are based in Austria. Whereas the top four companies in accessories account for some 98 per cent of the market, ski manufacturing is highly fragmented, with several significant players and many other small ones.

Salomon apparently believes that a combination of its high-technology new plant and its strong international name – it has a network of 13 subsidiaries around the world – will enable it to smash some of the smaller ski manufacturers, with a healthy knock-on effect on its fittings business, since success in the ski market would give it greater public prominence.

AS one analyst points out: "You always see the brand name of the skis in photographs of ski champions but rarely the name of the boots or fittings."

Whichever companies are being targeted by Salomon, Ski Rossignol has clearly decided to take up the challenge. Smaller and less profitable than its rival, it is expected to report a 10 per cent rise in 1988 sales to more than FFr1.6bn. However, profits are expected to be below 1987's earnings of FFr37.8m because of the sluggish skiing market and misfortunes in the tennis sector.

It has already built up a presence in the ski boot market with the Lange, Trappeur and Caber brands. It now intends to boost its presence by launching its own Ski Rossignol line of boots and is planning to introduce its own line of ski clothes to capitalise on its name.

The company is also understood to be thinking seriously of entering the ski fittings market, up to now the sacred preserve in France of Salomon, possibly through an acquisition.

One candidate for a takeover is Tyrolia, whose American parent company, Minstar, wants to shed it along with Head, the world's fourth-largest ski manufacturer.

However, the American group is said to be keen to sell both Tyrolia and Head as a package and this is likely to put the deal out of Ski Rossignol's reach, since the combined sales of the two are as great as that of the French company.

Meanwhile, both French companies and their rivals face a far more immediate challenge to profitability: the weather. For unless this year's miserly falls of snow in the Alps improve, skiers will hardly be enthusiastic about splashing out on new equipment.

Houston gas pipeline group offers $2.6bn for rival

By James Buchan in New York

COASTAL, THE aggressive Houston-based gas transmission company, said yesterday it would offer $2.6bn or $42 a share for its cross-town rival, Texas Eastern, which operates a big gas network in the north-eastern US.

The deal, if successful, will transform the bustling Coastal into the second-largest US gas transmission company with over 30,000 miles of pipeline. However, Wall Street analysts say that Coastal's bid could unleash a flurry of competing offers from other gas pipeline companies, which are jostling for position in a changing market.

Texas Eastern stock soared $14¼ in morning trading yesterday to $44½. This is higher than the $42 Coastal is offering and suggests the market is expecting higher bids. "Coastal is going to have to come up with more," said Mr Andrew Gray, an analyst at Pershing, the New York brokerage.

Coastal, which enjoyed net income of $86.3m on sales of $6.12bn in the nine months to last September, leapt into the top ranks of the gas pipeline industry when its chairman, Mr Oscar Wyatt, pushed through the $2.7bn acquisition of American Natural Resources in 1985.

The deal gave Coastal the third-largest pipeline network after those operated by Enron and Tenneco. A takeover of Texas Eastern, which reported net income of $134.7m on revenues of $2.46bn in the first nine months, would dislodge Tenneco from second place. It would also give Coastal a dominant position in New England and the North-East where the industry believes gas is underused.

"We're primarily in the Mid-west and the upper Great Lakes," said Mr Jim Bailey of Coastal. "Texas Eastern extends into the North-East, which is a major growth market."

The takeover bid extends the process of consolidation which has swept the gas transmission industry since tight government regulation was lifted in the mid-1980s. Prices of natural gas have been rising as a big surplus, the so-called "bubble," has declined.

However, the ambitious deal will saddle Coastal with a huge burden of debt to add to the $4bn in debt and preferred stock left over from the American Natural Resources deal.

In addition, Coastal will have to take on Texas Eastern's $2bn in outstanding debt, though analysts say this could be partly paid off through the sale of Texas Eastern's interests in the North Sea.

Head of S. African bank joins exodus of chief executives

By Jim Jones in Johannesburg

MR CHRIS BALL, head of South Africa's largest bank, resigned suddenly yesterday to join an unnamed European financial group. He is the latest in a number of prominent chief executives to leave the country in the past two years.

Mr Ball had been managing director of First National Bank, formerly the South African subsidiary of Barclays Bank, since 1984. Apart from guiding the bank through the divestment by the UK group at the end of 1986, he oversaw the acquisition of Citibank's local interests, steered operations through the South African financial community's version of the London Big Bang and directed a changeover to electronic banking.

In Johannesburg yesterday Mr Ball declined to reveal the name of his European employer, which he is to join in April. He did say, however, that he would be working neither for Barclays nor for Anglo American, the mining house that has majority control of First National.

Mr Ball was thrust into public prominence two years ago after he authorised a loan used to pay for an advertisement in the local press which was favourable towards the banned African National Congress (ANC). Though this apparently contravened no law, it incensed President P.W. Botha who used it to make political capital through an attack on Mr Ball and the bank.

The effect was to ensure the business community kept its head down ahead of the white general election of 1987 and did not criticise the Government's political or economic management.

Mr Ball yesterday expressed a qualified confidence in the country, saying: "Foreign investment will return when there is a new dispensation. The main problem will be to manage the political transition."

Two years ago Mr Gordon Waddell, the chairman of Johannesburg Consolidated Investment, a big mining house, quit South Africa expressing his deep concern for the private sector's future in a country where, he said, the black majority equated business with apartheid.

Mr Ball will be succeeded by Mr Barend ("Barry") Swart, the current deputy managing director. Mr Swart's appointment means that all of South Africa's major banks are now headed by Afrikaners – a process apparently hastened by the divestment of British banking groups.

His appointment tacitly recognises existing economic realities and a view among the business community that Afrikaners are often best able to foster relations with the Government.

Leucadia lifts bid for Cambrian to £71.4m

By Nikki Tait in London

THE BID battle over Cambrian & General Securities, the UK investment trust which was once a vehicle for convicted US insider trader Mr Ivan Boesky, escalated yesterday as Leucadia National Corporation increased its offer terms and launched a 'tea-time' raid in market.

Leucadia, a quoted New York-based company, with interests ranging from insurance and banking to real estate has raised its offer to 112p cash for each ordinary share and 130p for each capital share. This values the company at £71.4m, compared with £67.9m previously.

Leucadia says that the new offer is final and will not be increased or extended beyond its January 31 closing date. However, the bidder is reserving the right to raise its terms or extend in the event of another offer.

When the new offer was announced, Leucadia's brokers moved into the market - the first time the bidder has bought shares since the bid tussle started. SEAQ said about 3.4m capital shares were traded and 6.5m ordinary shares - about 8 per cent of the votes.

However, yesterday evening it was unclear to what extent Leucadia was buying shares previously assented to the bid. By the last closing date for its previous offer, Leucadia controlled 37.4 per cent of Cambrian - of which it owned 31.23 per cent, the rest coming from acceptances.

The new bid, however, brought a speedy rejection from Cambrian. It pointed out that the terms still represent "deep discounts" to underlying net asset values - put at 131.96p per ordinary share and 175.39p per capital share at end-December.

Leucadia added that it would not view the alternative proposals for the trust being promoted by Cambrian in conjunction with Mr Lance Lessman, a US investor who at one stage worked for Mr Boesky, as a competing offer.

Strong income growth at Chase and Manny Hanny

By Anatole Kaletsky in New York

CHASE Manhattan and Manufacturers Hanover, two of the leading US commercial banking groups, yesterday reported very strong results for the fourth quarter and 1988 as a whole.

The banks said they had satisfied the international regulatory guidelines on capital adequacy due to take effect in 1992.

However, a key part of the profit improvements resulted from the collection of over-due interest payments from Brazil during the fourth quarter.

Chase, the second largest US bank, reported quarterly net income of $275m or $2.93 a share, compared with $154m or $1.66 in the fourth quarter of 1987. The bank's annual earnings reached a record $1.06bn or $11.55 after a loss of $895m or $11.56 in 1987.

But accurate year-to-year comparisons were made more difficult by a large number of one-time gains and special charges, notably a huge addition to Third World loan loss reserves in the 1987 second quarter.

Chase said $217m of the latest quarter's net income was due to collections on medium- and long-term loans from Brazil. Only $35m of this income was applicable to the fourth quarter of 1988, and $30m was applicable to the last quarter of 1987.

These benefits were partially offset by a $13m after-tax reduction connected with non-accruing loans to Argentina. There was also a previously announced $40m restructuring charge following the closure of Chase's UK equity market-making operations.

The fourth-quarter results also included the utilisation of a $60m tax benefit.

The non-interest items of Chase's operations increased sharply in 1988. Non-interest operating income increased by 18 per cent to $2.51bn. During the fourth quarter, fees and commissions increased by 6 per cent to $334.5m, but other components declined significantly in the quarter.

Manufacturers Hanover Corporation reported net income of $224m or $4.28 a share in the fourth quarter, compared with $28m or 18 cents the year before. The bank's full-year net income was $966m or $18.55, against a loss of $1.14bn or $27.04 in 1987.

MHC's quarterly profits included a $146m after-tax benefit from the payment of overdue Brazilian loans, partly offset by a $27m reduction in after-tax interest income due to the non-accrual on Argentine credits.

Non-interest revenues climbed 40 per cent to $1.93bn for 1988 as a whole, but declined by 21 per cent to $331m in the fourth quarter. One reason for this was that gains from the sale of significant assets were reported during the first three quarters of 1988.

MHC's non-interest expenses fell by 2.4 per cent during 1988 as a whole, after adjusting for restructuring charges.

Earnings soar at Rand Mines

By Jim Jones in Johannesburg

RAND MINES, the South African mining group, overcame a small drop in the rand gold price in the final quarter of last year and lifted combined after-tax profits of its four gold mines by almost two thirds.

The profits increase was achieved through a combination of cost-cutting and higher gold recovery grades, although this was accompanied by a drop in the group's total gold production.

East Rand Proprietary Mines (ERPM) achieved the greatest improvement and sharply reduced its net loss by curtailing operations in the older sections of the mine and concentrating ore extraction in richer ground opened up by the new Far East sub-vertical shaft.

The new area, established with the help of loans totalling R230m ($92.4m) over the past few years, was needed to extend the life of the mine into the next century, and the directors say further production increases are planned.

Durban Deep, which is also an old mine, returned to profits by cutting further its milling rate and concentrating mining in the richest ore zones. However, its capital expenditure exceeded its profit.

Harmony, the largest of the group's mines, closed its uranium plant at the end of the year to avoid losses expected with low selling prices and rising costs.

Its gold production slipped as slightly higher recovery grades failed to compensate for seasonally lower mill throughput.

Blyvooruitzicht has reduced further its milling rate to conserve ore reserves and increased its gold recovery to 4.5 grams per tonne (g/t) from the September quarter's 4.2 g/t. Some years ago, directors warned the mine faced closure in the early 1990s as carbon leader ore reserves became exhausted.

RAND MINES GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Dec 88	Sep 88	Dec 88	Sep 88	Dec 88	Sep 88
Blyvoor	2,520	2,390	12.18	10.34	40.0	14.7
Durban Deep	1,524	1,816	0.36	(4.05)	(167.0)	(251.2)
ERPM	2,103	2,423	(13.87)	(18.92)	(161.3)	(264.2)
Harmony	7,127	7,175	22.05	25.12	113.4	58.4

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Workstation clone undercuts Sun

By Louise Kehoe in San Francisco

ANOTHER CHALLENGE to Sun Microsystems' leadership in the $5bn computer workstation market was issued yesterday with the introduction of a range of "clones" of Sun's top-selling products.

Solbourne Computer, a Colorado company, launched a range of workstations which it claims can run all software designed for the Sun 4 range. Solbourne's prices are from 14 to 25 per cent below the prices of equivalent Sun products.

While cloning is widely prevalent in the personal computer sector, this is the first time a company has cloned a computer workstation, which is a higher performance desktop computer widely used in scientific, engineering and financial analysis applications.

Solbourne, which has received $50m in venture capital as well as manufacturing and product development assistance from Matsushita Electric of Japan, aims to become "the Compaq of the workstation market," according to Mr Douglas MacGregor, company president.

Compaq is the largest manufacturer of IBM-compatible personal computers.

Responding to the Solbourne announcement, Mr Scott McNealy, Sun Microsystems' president, called the clones "the sincerest form of flattery."

He claimed Solbourne would help establish the Sun architecture as an industry-standard and encourage software writers to produce programs for these "standard" workstations.

Hoechst bids for Celanese stake

By Robert Gibbens in Montreal

HOECHST, of West Germany, is offering the public C$228m (US$191.5m) for the shares in Celanese Canada that it does not already own.

Hoechst owns 56.2 per cent of Celanese Canada and is offering C$35 a share for the 43.8 per cent stake held by the public for a total C$210m. The German group took control of Celanese Canada nearly two years ago when it bought Celanese Corporation of the US.

It is also offering C$40 a share for the series 1 preferred, and C$26 a share for the series 2 preferred, which totals a further $18m.

In 1988, it earned C$48.9m or $3.53 a share, which was a 72 per cent increase on the C$28.4m or $2.02 reported in 1987. Sales last year rose to $407m from $351m.

A new company, Hoechst Celanese Canada, is being set up to merge Celanese Canada with Hoechst's existing Canadian chemical products' operation.

The headquarters will probably remain in Montreal.

Retailing innovator to tackle Burger King

Roderick Oram in New York

GRAND METROPOLITAN has given Mr Barry Gibbons, head of its European restaurant operations, the difficult task of turning round Burger King, the struggling hamburger chain it acquired in its takeover of Pillsbury of the US.

The UK group faces several challenges to make its $5.75bn acquisition of Pillsbury pay off. One of the largest is to restore Burger King, a distant second in the market to McDonald's, to profitable growth.

Mr Gibbons, a 42-year-old Englishman who joined GrandMet five years ago, most recently was managing director of Grand Metropolitan Retailing, which operates about 2,000 restaurants in the UK and Europe.

Although Mr Gibbons lacks US experience, this did not bother Mr Bill Pothitos, a Montreal franchisee and chairman of the Burger King's national franchisees council. "Food is food," he said. "I've heard good things about him."

Burger King, misunderstood and mismanaged through the 1980s, has suffered from erratic quality of its product and some poorly conceived and executed marketing strategies. Mr Gibbons will be the restaurant chain's seventh chief executive in nine years.

GrandMet said last autumn that its extensive market research, conducted before the bidding for Pillsbury, found that the Burger King hamburger was well liked by consumers but inconsistent quality put them off.

"Burger King was an easy thing to break and its an easy thing to fix – you don't have to be a rocket scientist," Mr Pothitos added. The most important tasks were to bring consistency to quality and marketing.

Moreover, Burger King would have to increase sharply its marketing budget to match McDonald's.

Franchisees, who own some 85 per cent of the Burger King restaurants, appear ready for new management after a long, fraught relationship with Pillsbury. The final straw for them was its proposal to spin off Burger King and heavily increase the chain's debt as part of its defence strategy against GrandMet. The move was blocked by the courts.

Lisa Wood adds: Mr Gibbons considered becoming a professional footballer before embarking on a career in marketing. He joined GrandMet in 1984 and was appointed chairman and managing director of GrandMet Retailing when it was set up in 1987.

Described as "enthusiastic, tough, but friendly" he has been responsible for developing new retailing concepts such as Pastaficio, the pasta chain, and expanding GrandMet's retailing activities on to continental Europe.

Midland Bank enters Chile's financial market

By Barbara Durr in Santiago

MIDLAND BANK has become the first British bank to enter the Chilean financial market through a joint venture with Compania Chilena de Inversiones (Inverchile), a Chilean investment company.

Midland, which has had a representative office in Santiago since 1986, contributed 50 per cent of the $3.4m capital for the newly-created Inverchile Midland, with Inverchile putting up the other half.

Mr Paul Tacchi, Midland's group representative, said the bank was "looking to make investments in the order of $200m." These would all be new ventures, not in the financial sector, and some would use Chile's debt-equity swap programme.

The British bank, once Chile's second largest bank creditor, still holds a significant amount of Chilean obligations, although Mr Tacchi could not disclose exactly how much Chile still owes Midland.

Several debt swaps have been criticised for not creating new productive capacity and jobs, and it appears Midland is seeking to avoid that pitfall.

Inverchile Midland will operate in the financial market through subsidiaries in stock and security trading, a mutual fund and an investment advisory company.

Midland has had a relationship with Inverchile since mid-1988 through the Chile Investment Company SA, created by a pool of foreign banks and the International Finance Corporation, the private arm of the World Bank.

Apart from Midland and IFC, the bank pool included Rio del Plata, the Argentine bank, the Paris-based Sudameris and Banco Europeo Para America Latina, the Belgian-Dutch consortium bank.

The hidden gem in BP Minerals

David Owen examines a UK oil company's Canadian profit maker

Although Qit-fer et Titane is not exactly a household name, even in its native Canada, the Québec-based titanium slag, iron and steel producer has been arguably the most consistently profitable BP Minerals operation in recent years.

While some of the better-known base metals divisions have been struggling back into the black after a long stretch in the doldrums, QIT has racked up operating profits of between US$80m and US$100m in each of the last three years. Analysts project that in 1989 the income from the company, which is the electricity utility Hydro-Québec's largest customer, could be as high as $130m.

In sum, QIT will be one of the businesses that RTZ executives are poring over most attentively as they finalise details of their agreement in principle to buy BP's minerals operations for $4.32 bn.

The secret of QIT's recent success has been the strong market for titanium dioxide, a humble white powder that has become by far the most important white pigment used to give colour to paints and plastics since white lead was banned on health grounds. QIT produces a 78 per cent titanium dioxide slag that has captured 40 per cent of the pigment feedstock market.

Its closest rival for market share is the South African company Richards Bay Minerals, which QIT itself helped to establish in the mid-1970s. Richards Bay produces an 85 per cent titanium oxide slag. BP has an approximately 50 per cent interest in the company.

Since 1984, the price of titanium dioxide has soared, taking QIT's fortunes along with it. This buoyancy ended a lengthy period of depressed markets which began with the 1974 oil crisis – which severely depressed demand.

In the interim, several companies (including Laporte and Montedison) divested their respective titanium dioxide interests, a number of old plants shut down and the construction of new capacity virtually ceased. In the process, supply and demand reverted to balance.

Over the last three years, the leading producers have been gradually "de-bottlenecking", or squeezing more output from existing plant to cope with steadily rising demand. QIT estimates that this will add about 12 per cent (or 330,000 tonnes per year) to world capacity during the 1986-89 period.

The company produces its slag at a sprawling nine-furnace plant at Sorel some 50 miles north-east of Montreal. Its raw material is ilmenite, derived from the Lake Tio orebody a further 550 miles downstream in the remote and desolate Québec countryside.

The orebody contains about 34.3 per cent titanium dioxide and 52.7 per cent iron oxides. It was originally pinpointed just after the war by Kennecott of the US, which was motivated by its country's heavy wartime dependence on overseas sources of titanium dioxide. QIT was ultimately formed in 1948 as a joint venture between Kennecott and the Gulf + Western subsidiary New Jersey Zinc.

Due to the high iron content of its ore supply, QIT has also been from the outset a significant producer of high purity irons: current capacity permits the production of some 900,000 tonnes a year.

According to Mr Bruce Grierson, QIT's chairman, however, this niche market "can only absorb so much," so in 1986 the company moved further downstream into steel billet production with the construction of a C$100m, 400,000-tonnes-per-year facility. Ivaco, the Montreal steelmaker, is contracted to take approximately two-thirds of the plant's current output of between 250,000 and 300,000 tonnes per year output.

According to Mr Grierson, QIT's various metallic products account for about half the group's Canadian turnover. The company also owns a metal powders operation adjacent to the Sorel smelter. Titania slag generates the remaining 50 per cent of revenues. Current production capacity stands at about 1.05m tonnes of slag, although a furnace modernisation programme now under way will raise this eventually to approximately 1.4m tonnes.

Over the past 20 years, the titanium dioxide industry has increasingly been switching to the so-called chloride process from the traditional sulphate process, although many sulphate plants remain viable concerns. Since the product derived from QIT's Québec orebody is suitable only for the sulphate process, the company has had to innovate to maintain and expand its market share. (The slag produced at Richards Bay, by contrast, is suitable for both processes.)

QIT is planning to address this situation by adding more low alkali slags (suitable for both processes) to its own product range. The raw material with which to achieve this objective will come from extensive mineral sands deposits at Fort-Dauphin, Madagascar. The plan is to produce 600,000 tonnes of Madagascan ilmenite per year from 1992. A pilot concentrate plant has been up and running at Fort-Dauphin since early 1987.

Mr Grierson believes it "premature" to judge whether the company's probable return to ownership by a dedicated minerals producer after eight years in the hands of oil companies – first Standard Oil of Ohio, then BP – will bring big changes.

He says BP has been happy to let QIT's Québec management run the company within approved parameters. "We have had owners that have allowed the company to make the necessary investments for its own good."

Northern Telecom picks next chairman

By David Owen in Toronto

NORTHERN Telecom, the large Canadian telecommunications group, has named Dr Paul Stern, formerly of Unisys, as successor to Mr Edmund Fitzgerald, the chairman.

Dr Stern, 50, will join the company in March as vice chairman and chief executive. Mr Fitzgerald plans to retire in April 1990.

Analysts were surprised by the move as Northern usually promotes from within. It was also interpreted as a signal that data communications will play an increasingly important role in the company's development.

Dr Stern resigned as president of Unisys about a year after the company's formation, in the autumn of 1986. He attributed his decision to the need to attend to pressing family and investment concerns.

Prior to joining Burroughs in 1981 as executive vice president, Dr Sperry had spells with Du Pont, IBM, Braun and Rockwell International. He joined Northern Telecom's board of directors in April 1988.

An erstwhile member both of President Reagan's National Security Telecommunications Advisory Council and of the Pentagon's Defence Policy Advisory Committee on Trade, Dr Sperry is a director of Clark Equipment and sits on the advisory board of the Frankfurt-based BHF Bank.

Northern, which is majority-owned by Montreal-based BCE, has had a lacklustre year in an extremely competitive market environment. Profits for 1988 are expected to total no more than half of the US$347m earned in 1987.

In December, the company announced it was to take a US$200m charge against final-quarter earnings, following a wide-ranging corporate restructuring.

Canada Malting in C$125m deal

By Our Financial Staff

CANADA MALTING is to acquire Great Western Malting, a division of Penwest, the US agricultural products processor, for about C$125m (US$105m) in cash.

Penwest has been restructuring in order to focus more on its flagship specialty starch and and chemical business.

Canada Malting, whose three Canadian malt production plants have a total annual capacity of 365,000 metric tons, said the acquisition would add about 335,000 metric tons of annual malt production capacity.

INTERNATIONAL COMPANIES AND FINANCE

Bond agrees Kalgoorlie restructure

By Bruce Jacques in Sydney

MR ALAN BOND, the Perth entrepreneur, is close to achieving his dream of a single "super pit" – likely to be visible from the moon – to mine what is left of Kalgoorlie's historic Golden Mile deposit in Western Australia.

Mr Bond yesterday reached agreement for a three-tiered corporate restructure which will pool his Kalgoorlie gold interests with those of the US-controlled Homestake group, the only other large surviving "Golden Miler," in a singly-managed operation.

Under the first stage of the plan, the two listed Bond-controlled gold companies, Gold Mines of Kalgoorlie (GMK) and North Kalgurli Mines, will attempt a reverse merger. GMK will make a scrip bid valued at A$260m (US$225.9m) for North Kalgurli, which owns 51.5 per cent of GMK.

The bid, pitched at one GMK share for each three in North Kalgurli, seems likely to succeed if only because Bond companies control at least 40 per cent of the target's capital.

Based on GMK's last sale price of A$1.10, the bid is worth nearly 37 cents a share against North Kalgurli's last price of 32 cents. The two companies, and Homestake Mining's 80 per cent-owned Homestake Australia, were suspended from quotation on Friday, pending yesterday's announcement.

The second stage of the deal involves GMK selling a 2 per cent stake in Kalgoorlie Mining Associates, the joint venture operating company, to Homestake for A$30m; each group would then control 50 per cent. The third stage would see the formation of a new joint venture to manage the combined operations of all the companies involved.

Yesterday's joint statement said the transactions would clear the way for early development of the super pit. Shared infrastructure, consolidated tenements and capital-intensive bulk mining operations – superseding the old labour-intensive methods – are seen as the key to maintaining Kalgoorlie as an economic gold mining centre into the next century.

GMK directors said the bid for North Kalgurli was the most effective way of distributing benefits from the new scheme to all shareholders. However, the real key to yesterday's announcement was Homestake's agreement.

The US group was initially reluctant, ostensibly because it believed the Bond plans would lower gold grades too far. However, the sale of a 2 per cent stake in Kalgoorlie Mining Associates, removing the main operating company from Bond majority control, appears the likely key to Homestake's change of heart.

Sears seeks to expand into Japan

SEARS ROEBUCK of the US is holding talks with Seibu Saison Group, the Tokyo-based retailer, about opening a chain of children's specialty stores in Japan, AP-DJ reports from New York.

An agreement, which could come by the autumn, would make Sears one of the first big US companies to gain a foothold in Japan's booming retail market.

Sears confirmed that the companies were holding exploratory discussions related to children's specialty stores. The talks are in line with Sears's belated push into specialty retailing. The Chicago company, troubled by lagging sales growth and stiff competition, has recently begun experimenting with different niches.

Any pact with Seibu Saison might give Sears a substantial inroad into Japanese retailing at a time when the strong yen has made US products more competitively priced for Japanese consumers.

Mr Seiji Tsutsumi, Seibu Saison chairman, was reported in Tokyo as saying his company was considering an arrangement with Sears to "strengthen our exchange of knowhow as equal partners."

Portugal wins bids for CNP

THE PORTUGUESE Government has received four strong bids to manage Companhia Nacional Petroquimica (CNP), the national petrochemical corporation inaugurated in 1981, writes Diana Smith in Lisbon.

CNP has run at a heavy loss since its difficult start-up. For the last year the authorities have been seeking alternatives to closing the plant and finally decided to offer for sale the complex's polymer unit (the only downstream unit out of the 12 planned to be built), Epsi (Empresa de Polimeros de Sines), in which the state owns 80 per cent. The remaining stake in Epsi is owned by CdF Chimie of France.

Whichever group purchases the state's 80 per cent share of Epsi will be granted a management contract to run CNP for 10 years. For the time being, the authorities are constrained from denationalising leading Portuguese industries, so cannot sell CNP outright.

In order to make the deal more attractive to potential bidders, the Government has agreed to absorb CNP's debts, which are now in excess of $1bn. The group awarded the management contract will be able to keep the profits from the enterprise.

The four contenders for the purchase are:

● Dow Chemical of the US in association with Repsol of Spain.
● A Brazilian consortium led by Braspetro, the international branch of Petrobras, the Brazilian national oil corporation.
● Enichem, which belongs to Italy's Agip Group.
● Neste of Finland, in association with Portuguese interests.

The commission adjudicating the bids is expected to reach a decision within the next three months.

Singapore venture

UNITED ENGINEERS, a Singapore engineering and construction concern, and Wearne Brothers, a local trading and manufacturing group, have formed a joint venture to make and market electronic equipment and parts, AP-DJ reports from Singapore.

United Wearnes Technology, 60 per cent-owned by Wearne, has made an immediate $400,000 bid for 17.4 per cent of Multi-Fineline Electronix, US printed circuit board maker.

INTERNATIONAL COMPANIES AND FINANCE

French glass group does not throw stones

Privatised Saint-Gobain is concentrating on core businesses writes Paul Betts

THE PRIVATISATION of Saint-Gobain, the leading French glass and packaging group, was not only the first privatisation in France but also the smoothest and least contested. The company, which is expected to report record profits on Thursday, has also managed to avoid being dragged into the growing political controversy over the control of recently privatised groups.

More than any other leading French company, Saint-Gobain has managed to shed the label of "privatised" and to be accepted on its own industrial merits. Perhaps this is not surprising, since it is France's oldest company, dating back to 1665.

Mr Jean-Louis Beffa, the chairman, remarked: "We are a French group with a European base and a global ambition." France today accounts for only about 45 per cent of the group's annual turnover of about FFr70bn ($11.2bn). "Europe now makes up 80 per cent of our business," Mr Beffa added.

Under Mr Beffa's leadership, Saint-Gobain has carefully steered clear of politically sensitive areas which have made other privatised groups, like Compagnie Générale d'Electricité (CGE), targets of political polemic. "It is in our chromosomes not to get involved in businesses where the state intervenes, and especially not in a field like communications," he said.

Instead the group has concentrated on a nuts and bolts industrial strategy which has hardly varied over the two years since its privatisation. Mr Beffa said the strategy was based on four points:

● Maintaining the group's profitability, considerably improved since its privatisation. Net income excluding minorities rose from FFr1.26bn in 1986 to FFr2.5bn in 1987. In the first half of last year profits totalled FFr1.75bn and analysts expected the company to double this figure for the whole year.

● Continuing the development of the group's core businesses with the emphasis increasingly on specialities rather than on commodity products. Industrial investments are budgeted to rise to FFr6bn this year from FFr5bn last year, Mr Beffa said. At the same time, Saint-Gobain has been active in the acquisitions market spending FFr5bn in the last two years, much of it in lifting its stake in companies it already controlled like Certain-Teed in the US and St-Roche in Belgium. All these investments have been partly funded by its FFr3.3bn rights issue last October.

● International expansion with the aim of consolidating its European leadership position, expanding its North and South American presence and penetrating the Far East market through a joint venture project which could come to fruition in the first quarter of this year.

Jean-Louis Beffa: aiming for global expansion

● Acquiring new capabilities in closely related businesses such as its recent 5 per cent stake in Essilor, the leading French optical glass manufacturer.

However, under Mr Beffa, the group has backtracked from the diversification policy undertaken by Mr Roger Fauroux, his predecessor as chairman and now the industry minister in the socialist government. Mr Fauroux had embarked on an ambitious policy to move Saint-Gobain into the computer and electronics industry by acquiring key stakes in the French Bull computer group and in Olivetti of Italy.

But Mr Beffa claimed this kind of business could not coexist long term with Saint-Gobain's basic activities in the glass and packaging field. Unlike Mr Fauroux, Mr Beffa does not regret the former Socialist government's decision to force Saint-Gobain, then nationalised, to shed its electronics assets.

In the same vein, Mr Beffa was never entirely happy with the group's decision to invest a few years ago in the construction business with its acquisition of a controlling stake in Société Générale d'Entreprise (SGE), the French construction company, from CGE. Mr Beffa has now swapped this stake with Compagnie Générale des Eaux in return for becoming a major friendly shareholder and partner of the leading French private water distribution group. Mr Beffa claims that the withdrawal from SGE has been his most important decision so far as chairman.

In the same way as he wants to develop a coherent industrial strategy based on the group's core businesses, Mr Beffa has also sought to keep his company's shareholding structure as simple and solid as possible. Unlike other privatised groups with their diverse "hard cores", Saint-Gobain has only a few select partners in its capital.

They include the Compagnie Générale des Eaux with 8 per cent, expected to rise eventually to about 10 per cent; the privatised Compagnie Financière de Suez with 5 per cent, eventually due to increase to 7 per cent; the state-owned Banque Nationale de Paris (BNP) and the state UAP insurance group, which are now discussing a merger and which between them own nearly 8 per cent in Saint-Gobain.

Saint-Gobain is in turn a leading shareholder in the two private sector companies. Mr Beffa says he wants to establish close links in this way with other leading French groups.

Since its privatisation, Saint-Gobain has benefitted from strong demand for its products in important markets like the automobile industry and the building sector, among others. It is now having to expand capacity in many major product lines.

Besides a big new float glass facility in south-eastern France, Saint-Gobain is planning a hollow glass furnace in Spain as well as modernising its glass facilities at Burgos. In Brazil, it is planning to invest $100m in a fibre reinforcement plant, a sector in which it also plans investments in Spain.

In its paper business, it envisages spending FFr600m on a white coated paper line in the Perigord region and, once again, investments in Spain. As these investments show, Mr Beffa has become particularly enthusiastic about Spain, which he claims is now among the most profitable parts of the group.

Three leading Danish food groups merge

By Hilary Barnes in Copenhagen

THREE OF Denmark's leading companies within the food and beverage industry, De Danske Sukkerfabrikker, De Danske Spritfabrikker and Danisco, yesterday announced an agreed merger.

The new company, which will be called Danisco, will have a turnover of about DKr13bn ($1.83bn), equity capital of DKr4.5bn and some 12,000 employees, making it one of Denmark's two largest manufacturing companies.

This is the third important merger to be announced in Denmark within three weeks. First came the link-up between the two big tour operators, Spies and Tjaereborg, followed by last week's announcement of a merger between the country's two biggest pharmaceutical industry companies, Novo and Nordisk Gentofte.

The merger activity comes after an agonised national debate on the doubtful ability of Denmark's relatively small manufacturing units to compete successfully in Europe's internal market after 1992. A flood of reports, official and unofficial, have asserted that Denmark needs to create "industrial locomotives" through mergers and acquisitions.

The three companies referred in a statement to the stock exchange to the internal market as one reason for the merger. They also referred to the need "to establish a significant, international group within the area of the food and beverage industry with a strong economy and management working internationally within related disciplines."

The largest of the three companies is Danish Sugar, with 1987 turnover of DKr6.7bn and 7,100 employees. Its core business is the production of beet sugar, and it has several wholly owned subsidiaries in manufacturing proper, including De Forenede Papir (United Paper), Denmark's only significant paper-maker, and Niro Atomizer, which specialises in spray drying equipment for cleaning flue emissions.

De Danske Spritfabrikker is best known as the producer of Denmark's traditional tipple, snaps (or akvavit). It also produces and markets snacks and supplies flour, yeast and alcohol to the food industry. Its 1987 turnover was DKr2.1bn and it had 1,600 employees.

Danisco is an important international producer and supplier of emulsifiers, flavours and stabiliser to the food and beverage industry through its major subsidiary Grindsted Products.

All three companies are profitable and in good financial shape.

INA buys W German holding

By Alan Friedman in Milan

INA, the Italian state-owned insurance group, is paying DM117m ($63.9m) to acquire a 12.5 per cent equity holding in Nürnberger Versicherung, the West German insurer.

Mr Antonio Longo, the chairman of INA, said yesterday that the share stake has been acquired from Skandia, the Swedish reinsurer. Mr Longo, whose INA group ranks as Italy's third or fourth biggest in terms of premium income, said the West German deal "is a part of our strategy of developing holdings and alliances ahead of 1992." The INA chief said he was examining possible acquisitions in other EEC markets.

The 12.5 per cent Nürnberger stake makes the Italian group one of the leading shareholders. But Mr Longo was at pains to stress: "We do not have any hostile intentions; we merely wish to achieve closer working ties in Germany."

The Rome-based INA group, which includes Assitalia, a leading insurer quoted on the Milan bourse, had 1988 total premium income of around L3,000bn ($2.23bn), of which about L1,600bn came from Assitalia. INA is expected to reveal a 1988 consolidated net profit of around L100bn. INA is not part of any of the big Italian state holding groups, but is a free-standing concern which reports directly to the Italian Treasury.

Sandoz reports record turnover

By John Wicks in Zurich

SANDOZ, the Swiss chemicals and pharmaceuticals concern, last year booked a 13 per cent rise in consolidated turnover to a record SwFr10.16bn ($1.62bn). The Basle-based parent company expects "favourable profits development" for the year, following a rise in group earnings of 16 per cent to SwFr627m in 1987.

All divisions showed sales growth in 1988, with pharmaceuticals turnover up 15 per cent to SwFr4.61bn and that of the chemicals division by 17 per cent to SwFr2.87bn. The nutrition division's sales went up by 12 per cent to SwFr1.2bn, and sales of agrochemicals rose 8 per cent to SwFr880m.

Landis to hold dividends

By John Wicks in Zurich

LANDIS & GYR, the Swiss-owned electrical engineering concern, is proposing unchanged dividends of SwFr20 per share and SwFr2 per participation certificate for the past year, as well as a rights issue of new shares at a ratio of 1:20.

Due mainly to the integration of the new subsidiaries Landis & Gyr Powers in the US and Lake Electronics in Ireland, group sales rose by 26 per cent to a record SwFr2bn ($320m) and new order value by 30 per cent to SwFr2.12bn.

While consolidated cashflow improved over the year by 8 per cent to SwFr169m, overall earnings dropped 3 per cent to SwFr64.5m, owing to lower investment income, higher taxes and a relatively higher profit share for minority shareholders.

Speaking in Zurich yesterday, Mr Willy Kissling, the managing director, predicted a further improvement in earnings from the comfort-control division (air-conditioning, heating and building-management systems) and the energy division (meters and control equipment).

A re-structuring of the company on the basis of three autonomous product groups is intended to improve profitability at Landis & Gyr, now controlled by Swiss industrialist Mr Stephan Schmidheiny's Anova Holding.

INTERNATIONAL CAPITAL MARKETS

Weak retail sales bring welcome cheer to gilts

By Katharine Campbell

MERRILL LYNCH'S wisdom that the UK gilt-edged market will disappear by 2003, assuming public sector debt repayment continues at 1 per cent of gross domestic product a year, barely raised an eyebrow among traders yesterday. Their current preoccupations focus more on next month than next century in the current becalmed state of the market.

But yesterday, for once, gilts were able to shed their gloomy aspect, and greeted a week full of economic data a good quarter of a point higher at the opening. Bearish expectations for January retail sales contained in the CBI/FT survey accounted for most of the market fillip.

Then the announcement that provisional December retail sales figures were down a full 0.1 per cent further cheered the market, even though the number is anything but firm at this stage. Still, traders chose to interpret this as concrete evidence that higher mortgage rates are finally beginning to cool consumers' spending ardour. On Liffe the March long bond future surged ahead to 96¼ after closing on Friday at 95⅜.

In late trading, the short end of the curve was performing even better than the longs, as fears of a further base rate increase receded. While the

GOVERNMENT BONDS

benchmark 2003-2007 Treasury bond was up ⅜ of a point to yield 9.71 per cent, the short end of the market had surged ahead ⅝ of a point over the course of the day.

But with both American and Japanese credit markets closed, trading on the Continent was generally quiet. In West Germany, domestic bonds were priced higher at the morning fixing. The federal 6½ per cent issue due 1999 was fixed at 99.40, 15 points higher than Friday, to yield 6.58 per cent.

A repurchase agreement is due today, as DM15.1bn expires from previous pacts. The rate will be closely monitored for evidence on the "will they, won't they" debate about Bundesbank tightening.

In a very thin Dutch market, recent bonds were up an average of 10 basis points, following US strength last Friday, and firmer German prices yesterday.

But the prime focus of interest was the results, announced today, of the terms on the new state 6.75 per cent 10-year bullet bond. Some dealers thought that the balance would be for a larger amount at a lower price – as much as FL 5bn priced at 100.50-100.60, on the back of both domestic and foreign interest. The issue traded at 100.35-100.45 in the grey market yesterday.

OCBC proposes S$200m placing

OVERSEA-CHINESE Banking Corporation, plans to place S$200m of fixed-rate negotiable certificates of deposit with attached warrants, each of which allows the holder to subscribe for one OCBC share, AP-DJ reports.

The five-year certificates will each be alloted 11,000 to 12,500 warrants, with the exact number to be determined later along with the price of the OCBC shares the holder will be entitled to subscribe to. The coupon will be 1.25 per cent.

OCBC, Singapore's third largest bank, said the issue was aimed at enabling the bank to lock into long-term funds at favourable rates.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-01	+28/32	10.46	10.85	10.77
		8.750	9/97	93-00	+30/32	9.98	10.21	10.19
		9.000	10/08	96-11	+21/32	9.18	9.26	9.29
US TREASURY#		8.875	11/98	98-28	+04/32	9.05	9.22	9.15
		9.000	11/18	101-09	+04/32	8.87	9.04	9.04
JAPAN#	No 111	4.800	6/98	98.7019	-0.418	4.80	4.78	4.74
	No 2	5.700	3/07	108.7378	-0.531	4.80	4.75	4.83
GERMANY		6.750	8/98	100.8750	-	6.65	6.71	6.56
FRANCE	BTAN	8.000	10/93	98.1049	-	8.48	8.52	8.69
	OAT	9.500	5/98	106.1000	-0.380	8.51	8.55	8.72
CANADA*		10.250	12/98	101.2500	+0.875	10.04	10.31	10.15
NETHERLANDS		6.7500	10/98	100.7750	+0.100	6.71	6.76	6.58
AUSTRALIA		12.600	1/98	97.0446	+0.178	13.06	12.86	12.80

London closing * Toronto mid-session # Local markets closed: European prices
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93½	94	-0¼	+0½	9.93
A/S Eksportfinans 7¼ 92	150	93¼	93¾	+0¼	+0⅝	9.84
B.F.C.E. 7 92	150	92⅞	93	+0¼	+0⅝	9.77
Brit. Tel. Fin. 9⅞ 98	250	98¼	98¾	+0½	+0⅞	9.61
Canada 9 96	1000	98	98½	+0⅝	+1	9.34
Canadian Pac 10¾ 93	100	*101½	101⅞	0	0	10.27
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	55	102	102¼	0	+0¼	4.77
Belgium 4⅝ 94	45	98⅛	98⅜	-0⅛	+0⅛	5.00
Canada 4⅜ 92	80	98⅝	98⅞	-0⅛	-0⅛	4.77
Elec. De France 5⅛ 94	20	100⅝	101⅛	-0⅛	-0⅛	4.93
Ireland 5⅛ 93	30	100¼	100¾	-0⅛	-0⅛	4.98
Norway 5⅛ 95	50	100⅞	101¼	-0⅛	0	4.93
Rep. of Italy 5⅛ 92	150	103	103⅛	+0⅛	+0⅛	4.64
[illegible]						

OTHER STRAIGHTS — [illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Flemming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 16 January, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]				

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Monday 16 January, 1989. *6 January 1989 new F.X. system introduced. Some data supplied by Bank of America, Economics Department, London Trading Centre. January 1989 devalued by approx. 29%. Rates not available. Banks in Brazil are closed pending possible devaluation as part of economic package.

INTERNATIONAL CAPITAL MARKETS

Italy launches $1bn 10-year straight issue

By Andrew Freeman

THE LARGEST fixed-rate Eurobond issue so far in 1989 was launched yesterday for the Republic of Italy against a quiet background as New York and Tokyo markets were closed.

The 10-year $1bn issue, lead managed by JP Morgan Securities International, carries a 9⅝ per cent coupon and matures on March 1 1999. Priced at 101⅝ to yield 38 basis points over US Treasuries at launch, the bonds were trading at less 1⅞ bid, well within total fees of 2 per cent. The closing yield over Treasuries was around 34 basis points.

According to the lead manager, this was the first time a Eurodollar straight issue of such size had been launched in a 10-year maturity, although previous issues have been increased after launch to $1bn.

It benefited from the stability provided by the closure of US government bond markets. "We had a good environment in which to launch the bonds," said a JP Morgan official. "Friday's rally in Treasuries created a pool of investors interested in trying to capture some of the dollar's progress."

Considerable speculation surrounded two aspects of the issue: whether it had been swapped and whether an existing floating-rate note issue would be called.

An official at the Italian Treasury in Rome confirmed that the issue proceeds had not been swapped. He said that existing debt gave the republic plenty of floating-note exposure and that future swap activity would depend on the structure of US interest rates.

Eurobond houses had speculated that, since there was no evidence that the issue proceeds were swapped yesterday, that swap terms had been arranged last week and a position left open over the weekend. Swap rates from fixed into floating dollars have been attractive, leading to a series of swap-related issues last week.

The same official also confirmed speculation that the Treasury would use some of the proceeds to call an existing floater. "We will be calling the US$500m floating-rate note issued in April 1985, which has been callable on a monthly basis since April 1988," he said.

The issue in question, lead managed by Credit Suisse First Boston, carries a coupon of Libor plus ⅛ and is due to expire in April 2005. In the current market conditions of rising short-term interest rates, the republic will re-balance existing liabilities to produce financing at more attractive rates.

Demand for the bonds was reported to have been strong among Middle Eastern and European institutions. Speculation that Japanese interest may have been represented by pre-placed orders could not be confirmed. The lead manager said that terms were agreed too late to take firm Japanese orders. However, one Japanese house is known to have bid for the deal and it is likely that word of the issue had penetrated the Tokyo market.

INTERNATIONAL BONDS

The pricing of the deal reflected a fierce bidding competition, but there was a consensus that the launch price was appropriate. Trading was hectic as professional spread traders moved in, while the lead manager reported limited switching activity out of the recent World Bank 10-year issue which carries the same coupon and was trading profitably, quoted yesterday at 100.40 per cent.

Interest also focused yesterday on a C$150m issue for the Swedish Export Credit lead managed by Bankers Trust International. The two-year bonds, which carry a high coupon of 12 per cent, carry a currency-play whereby they can be redeemed at the borrower's option either in Canadian dollars at par, or in US dollars at a rate of US$800 per C$1,000. Notice will be given 30 days before final maturity on December 28 1990.

The broad structure of the deal has been seen before in other currencies, but was believed to be novel in C$/US$. According to the lead manager, investors gain a yield advantage – of around 62 basis points – in return for the redemption option, which has been sold by the borrower for cash to Bankers Trust, while the borrower gains cheaper money.

An official declined to say how much Bankers had paid to purchase the option, but confirmed that the issue proceeds had been swapped into floating-rate US dollars.

Priced at 101⅛ to yield 85 basis points over comparable government securities, the bonds met fair demand and were quoted at less 1.10 bid, inside fees of 1⅛ per cent. Retail demand based on the coupon is expected to underpin the issue, but there is some speculation that the structure of the deal might prove too complicated for some investors' tastes.

The recent Matador bond issued for the Council of Europe by Bankers Trust was increased yesterday from Pta12.5bn to Pta15bn after persistent demand. The 5-year bonds carry an 11⅜ coupon and have been well bid since their launch last Wednesday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Italy, Republic of	1bn	9⅝	101⅝	1999	2/1¼	J.P. Morgan Secs.
CANADIAN DOLLARS						
Swedish Export Credit(c)◆	150	12	101½	1990	1⅛/⅝	Bankers Trust Int.
Household Finance Corp.◆	75	11¼	101⅞	1994	1⅞/1¼	UBS (Secs)
AUSTRALIAN DOLLARS						
Tor.-Dominion Cay.Islands◆	50	14⅞	101¾	1992	1½/1	Westpac Banking Corp.
NEW ZEALAND DOLLARS						
Dresdner South-East Asia◆	60	14⅛	101⅝	1992	1½/1	Dresdner Bank
ECUs						
Issue increased:						
Kredietbank Int.Fin.(a)◆	60	Zero	69.625	1994	1¼/⅞	Kredietbank Int.
PESETAS						
Issue increased:						
Council of Europe (b)◆	15bn	11⅜	101½	1994	1⅞/1¼	Bankers Trust S'ios Fin.

◆Final terms. a) Issue increased from Ecu50m. Redemption linked to BFr. b) Issue increased from Pta12½bn. c) Currency linked - can be redeemed in either C$ or US$ at issuers option.

Beecham in Swiss 'paperless' programme

By Norma Cohen

BEECHAM, THE pharmaceutical and consumer products firm, has become the first UK borrower to use the emerging market in so-called paperless securities in Switzerland.

The company, through a finance subsidiary, has mandated Swiss Bank Corporation to arrange for it a SFr250m ($40m) payment rights programme with borrowings of one to six months. No securities are issued to investors, thus avoiding the Swiss stamp duty normally paid. Instead, funds are transferred in book-entry form. Minimum denominations are SFr100,000 each and are targeted at Swiss retail investors.

The programme is the first to raise funds on a discount basis, rather than on a coupon basis, thus reducing the book-keeping requirements for investors.

Mr Stephen Crompton, director of treasury at Beecham, said the company established the programme to increase alternatives to its borrowings in the US commercial paper market.

● Israel Electric Corporation, the state-owned utility, has mandated the London branch of United Mizrahi Bank to arrange for it a $40m composite trade facility. The loan consists of a $25m five-year term financing for the acquisition of semi-capital equipment for the national grid and $15m in a short-term facility for the purchase of oil and coal.

PaineWebber to stop trading in Eurobonds

By Norma Cohen

PAINEWEBBER, the US-based securities firm, is pulling out of the Eurobond market, becoming the third US firm to do so in a little over a month.

The firm is also significantly paring its other fixed income activities in London, making a total of 22 staff redundant. There will be 10 to 11 fixed income staff remaining.

PaineWebber said it made its decision "after a careful review of the current economics, market conditions and future profit potential in all fixed income businesses..." The firm, a primary dealer in US government bonds, will continue all its operations in that sector. It will also continue to execute transactions for customers in non-US government bonds.

The firm said that its equity, corporate finance, financial futures and foreign exchange businesses in London were not affected by the decision. If anything, PaineWebber said it had targeted those businesses for future growth.

PaineWebber has not been a significant force in the Eurobond market and has not lead managed a new issue since a May 1987.

In December, Bank of America withdrew from the Eurobond market, followed by Smith Barney. Purcell Graham, an inter-broker dealer for the Eurobond market, also withdrew in December, citing a sharp decline in secondary market turnover.

While the Eurobond business has been shrinking over the past year, US houses in particular appear increasingly disillusioned with their London-based operations, in sharp contrast to the unbridled optimism with which they greeted Big Bang in the City.

Austria to abolish range of currency restrictions

By Judy Dempsey in Vienna

AUSTRIA'S central bank plans to lift a number of restrictions on currency transactions in a move aimed at pushing the pace of deregulation and bringing Austria's institutions closer into line with European norms.

The lifting of 50 restrictions, which comes into effect on February 1, was announced yesterday by Mr Helmut Klauhs, the president of the Austrian National Bank.

Mr Klauhs also said the changes, which do not have to be ratified by parliament, are geared towards the European Community's internal market.

Under the new legislation, Austrians will be able to invest in foreign property without any restrictions

The rules will also apply to bonds and shares, which bankers believe will give the country's small capital markets a much-needed boost.

The Vienna bourse has recently been enjoying high levels of activity due to active foreign buying, new listings and more Austrians investing in banks' portfolios.

In addition, Austrians investing in foreign bonds and property will no longer have to seek permission from the National Bank, although it will still have to be informed, and foreign bonds, for the time being, will still have to be deposited in an Austrian bank.

Changes have also been introduced in the amount of capital individuals could freely take out of the country, which has been increased from the current Sch50,000 to Sch100,000 ($7,740).

Mr Klauhs also pointed out that Austrian companies, which in the past were restricted in how they invested their profits, will have the freedom to take out foreign currency credits from domestic and foreign banks over a three-year period instead of the normal five years.

Collins Coombs in Chile move

By Babara Durr in Santiago

COLLINS COOMBS, the London stockbroker, has purchased 50 per cent of the Chilean stock broking house of Larraguibel, Munita y Cruzat.

Mr Jaime Charles Coddou, the representative of Collins Coombs in Chile, said his firm wanted "to participate and benefit from the process of internationalisation of the Chilean market."

He added that he viewed the Chilean Government's "privatisation" policy very favourably. The initial purpose of the deal will be to channel more effectively UK investment in Chile.

Indosuez Asia unveils Indonesian fund

By Norma Cohen

FOREIGN INVESTORS will for the first time be able to invest in a basket of Indonesian stocks via a fund launched by Indosuez Asia Investment Services, the Hong Kong-based subsidiary of Banque Indosuez.

The fund, to be known as the Malacca Fund, plans to raise up to $35m through a public share offering which will then be invested in a variety of securities of Indonesia and Malaysia, primarily in equities. Funds will also be invested in corporate bonds, with a small portion to be held in cash. Some funds may be invested in companies based outside Malaysia and Indonesia whose principal operations are in those two countries.

In December, foreign investors for the first time were allowed to purchase shares in some companies traded on Indonesia's nascent stock exchange. There are already several funds which invest in Malaysian equities.

There are 24 companies now traded on the Indonesian exchange and of these, foreign investors are still only allowed to directly purchase shares in six.

Indosuez Asia has retained investment advisers in Indonesia and Malaysia, both of which have seats on the stock exchanges and are able to purchase shares as nationals.

However, given the current small size of the Indonesian securities market, Indosuez Asia expects that at the end of six months, about 25 per cent of the funds will be invested there, with the remainder invested in Malaysia. But the directors intend to gradually reverse the balance so that eventually 75 per cent of the funds will be invested in Indonesia.

The Malacca Fund will be registered in the Cayman Islands and there are no foreign exchange controls applicable to its investments in Indonesia.

The fund will not be subject to income or captial gains taxes in either Malaysia or Indonesia. However, in Indonesia there is a 20 per cent withholding tax on dividends and interest and in Malaysia a 20 per cent withholding tax on interest.

Shares will be listed on the London Stock Exchange and will be cleared through Euroclear and CEDEL.

Turks to trade gold next month

TURKEY'S official gold market, designed to halt smuggling and impose international gold trading standards, will open by mid-February, according to Reuters.

The screen-based market, with bids and offers matched by the Central Bank, had been due to start last September but was delayed by the weak Turkish lira. Authorised commercial banks and foreign exchange offices will trade gold against hard currency.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday January 16 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Jan 13 Index No.	Thu Jan 12 Index No.	Wed Jan 11 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	[illegible]									
2 Building Materials (26)	[illegible]									
3 Contracting, Construction (39)	[illegible]									
4 Electricals (10)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (55)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (23)	[illegible]									
21 CONSUMER GROUP (187)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (21)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household (13)	[illegible]									
29 Leisure (32)	[illegible]									
31 Packaging & Paper (17)	[illegible]									
32 Publishing & Printing (18)	[illegible]									
34 Stores (34)	[illegible]									
35 Textiles (15)	[illegible]									
40 OTHER GROUPS (91)	[illegible]									
41 Agencies (18)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (12)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (25)	[illegible]									
49 INDUSTRIAL GROUP (487)	[illegible]									
51 Oil & Gas (13)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (127)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (54)	[illegible]									
70 Other Financial (32)	[illegible]									
71 Investment Trusts (76)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (713)	[illegible]									
FT-SE 100 SHARE INDEX†	[illegible]									

[illegible]

FIXED INTEREST

PRICE INDICES	Mon Jan 16	Day's change %	Fri Jan 13	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
Index-Linked					
6 5 years	[illegible]				
7 Over 5 years	[illegible]				
8 All stocks	[illegible]				
9 Debentures & Loans	[illegible]				
10 Preference	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 16	Fri Jan 13	Year ago (approx.)
British Government				
1 Low	5 years	[illegible]		
2 Coupons	15 years	[illegible]		
3	25 years	[illegible]		
4 Medium	5 years	[illegible]		
5 Coupons	15 years	[illegible]		
6	25 years	[illegible]		
7 High	5 years	[illegible]		
8 Coupons	15 years	[illegible]		
9	25 years	[illegible]		
10 Irredeemables		[illegible]		
Index-Linked				
11 Inflation rate 5%	5yrs	[illegible]		
12 Inflation rate 5%	Over 5 yrs	[illegible]		
13 Inflation rate 10%	5yrs	[illegible]		
14 Inflation rate 10%	Over 5 yrs	[illegible]		
15 Debs &	5 years	[illegible]		
16 Loans	15 years	[illegible]		
17	25 years	[illegible]		
18 Preference		[illegible]		

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	107	1	3
Corporations, Dominion and Foreign Bonds	32	0	19
Industrials	628	239	715
Financial and Properties	238	79	353
Oils	38	26	38
Plantations	1	0	11
Mines	61	26	101
Others	114	35	96
Totals	1,219	406	1,336

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covd.	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible]

TRADITIONAL OPTIONS

● First Dealings Jan 9
● Last Dealings Jan 20
● Last Declarations Apr 13
● For settlement Apr 24

For rate indications see end of London Share Service

Calls in Pilkington, Crests, Sears, Explaurs, BP, P&O, Cadburys, Hillsdown, Top Value, Unigate. Put Dunton Grp. P/C Unigate.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*461)	420	42	58	68	1	4½	10½
	460	7½	29	43	7	17	25
[illegible]							

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Plessey (*229)	220	16	27	34	3	10	13
	240	5½	14	20	14	19	21
[illegible]							

[illegible]

First Boston meets the challenge.

M&A and Merchant Banking: 1988

[illegible] M&A transactions [illegible] billion [illegible] in crossborder transactions. [illegible] marked by new challenges and [illegible] First Boston's M&A and Merchant Banking Group remains at the [illegible] of 1988's most significant transactions, [illegible] performance [illegible] of previous years. [illegible] in an increasingly [illegible] marketplace, the unparalleled depth and breadth of our team of 195 M&A professionals enables First Boston to design creative and unique strategies, custom-tailored to meet individual client needs. Through a worldwide network of offices including Atlanta, Boston, Chicago, Dallas, Houston, [illegible] Los Angeles, Melbourne, New York, [illegible] San Francisco, Sydney, Tokyo and Toronto, First Boston provides industry knowledge [illegible] regional expertise—setting new standards of excellence in client service. [illegible] from acquisitions to takeover defense, [illegible] tender offers to divestitures, First Boston rose to the challenges of 1988 with innovative ideas, industry expertise, [illegible] capabilities and access to the capital necessary to complete today's complex transactions.

Transactions over $1 Billion

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
Various Purchasers	**Tenneco Inc.**	Sale of Tenneco Oil Company and Certain Related Businesses (Pending)	$7,300,000,000
Campeau Corporation	Federated Department Stores, Inc.	Cash Tender Offer/Bridge Loan $1,337,000,000	6,600,000,000
Sun Exploration and Production Company	**Sun Company, Inc.**	Restructuring/Spin-off of U.S. Oil and Gas Exploration and Production Business	6,000,000,000
Grand Metropolitan PLC	**The Pillsbury Company**	Cash Tender Offer (Pending)	5,754,000,000
Batus Inc.	**Farmers Group, Inc.**	Merger for Cash	5,250,000,000
Banco Español Central de Crédito, S.A.	**Banco Central, S.A.** and Banco Español de Crédito, S.A.	Merger of Equals (Pending)	5,000,000,000
Minorco S.A.	**Consolidated Gold Fields PLC**	Takeover Defense	4,950,000,000
FH Acquisition Corp.	**Fort Howard Corporation**	Cash Tender Offer	3,579,000,000
American Home Products Corporation	A. H. Robins Company, Incorporated	Advisor to the **Committee of Dalkon Shield Claimants** (Pending)	3,300,000,000
Banco Bilbao Vizcaya, S.A.	**Banco de Vizcaya, S.A.** and Banco de Bilbao, S.A.	Merger of Equals	3,250,000,000
UAL Corporation	UAL Corporation	Self Tender Offer for 35.5 million shares of Common Stock	2,840,000,000
SCEcorp	San Diego Gas & Electric Company	Merger for Common Stock (Pending)	2,560,000,000
Kelso & Company	American Standard Inc.	Cash Tender Offer/Bridge Loan $920,000,000	2,500,000,000
Maxwell Communications Corporation plc	**Macmillan, Inc.**	Cash Tender Offer	2,500,000,000
Kohlberg Kravis Roberts & Co.	Jim Walter Corporation	Cash Tender Offer	2,440,000,000
CS First Boston, Inc.	**First Boston, Inc.**	Privatization/Merger with Affiliate	2,000,000,000
PacifiCorp	Utah Power & Light Company	Merger for Common Stock (Pending)	1,900,000,000
Mesa Limited Partnership	**Homestake Mining Company**	Takeover Defense (Offer Withdrawn)	1,800,000,000
BNS Inc.	**Koppers Company, Inc.**	Cash Tender Offer	1,741,000,000
Commercial Credit Group, Inc.	Primerica Corporation	Merger for Common Stock and Cash	1,700,000,000
Management Group led by Samuel J. Heyman	**GAF Corporation**	Merger for Cash and Securities (Pending)	1,574,000,000
Comcast Corporation and **Tele-Communications, Inc.**	SCI Holdings, Inc.	Merger for Cash	1,550,000,000
MAI Basic Four, Inc.	**Prime Computer, Inc.**	Takeover Defense	1,550,000,000
Tate & Lyle PLC	**Staley Continental, Inc.**	Cash Tender Offer	1,534,000,000
The Robert M. Bass Group and Aoki Corporation	**UAL Corporation**	Divestiture of Westin Hotels & Resorts	1,530,000,000
PepsiCo, Inc.	**General Cinema Corporation**	Divestiture of Beverage Bottling Division (Pending)	1,500,000,000
The May Department Stores Company	**Campeau Corporation**	Divestiture of the Foley's and Filene's Divisions of Federated Department Stores, Inc.	1,500,000,000
SWT Associates, L.P.	**TW Services, Inc.**	Takeover Defense	1,430,000,000
Nestlé S.A.	**CIR S.p.A.**	Divestiture of Buitoni Group Operations	1,315,000,000
PA Holdings Corporation	**IC Industries, Inc.**	Divestiture of Pneumo Abex Corporation and Certain Other Subsidiaries	1,300,000,000
Prudential-Bache Interfunding, Inc.	**Seven-Up Holding Company** and Dr Pepper Holding Company	Merger of Seven-Up and Dr Pepper/Sale of Partial Interest in Combined Operations	1,300,000,000
Corona Corporation, a new corporation	**Royex Gold Mining Corporation,** International Corona Resources Ltd., Lacana Mining Corporation, Mascot Gold Mines Limited, and Galveston Resources Ltd.	Merger for Common Stock	1,250,000,000
Quantum Chemical Corporation	**Quantum Chemical Corporation**	Recapitalization (Pending)	1,150,000,000
Nippon Mining Company, Limited	**Gould Inc.**	Cash Tender Offer	1,100,000,000
R. H. Macy & Co., Inc.	**Campeau Corporation**	Divestiture of the I. Magnin and Bullock's/Bullocks Wilshire Divisions of Federated Department Stores, Inc.	1,100,000,000
Tenneco Inc.	Tenneco Inc.	Repurchase of 20.9 million shares of Common Stock	1,047,000,000

Note: First Boston clients appear in bold print.

First Boston: re

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
Sunshine Mining Company	**Rexene Corporation**	Merger for Cash and Securities (Pending)	$886,000,000
Sulzer Bros. Inc.	Intermedics, Inc.	Cash Tender Offer	800,000,000
Marks & Spencer p.l.c.	**Campeau Corporation**	Divestiture of the Brooks Brothers subsidiary of Allied Stores Corporation	770,000,000
National Westminster Bank USA	First Jersey National Corporation	Merger for Cash	761,000,000
New Zealand Forest Products Limited	Elders Resources Limited	Merger for Common Stock and Cash	703,000,000
NEOAX, INC.	**IU International Corporation**	Cash Tender Offer	699,000,000
American General Corporation	Manufacturers Hanover Corporation	Acquisition of Manufacturers Hanover Consumer Services Inc.	685,000,000
Colt Holdings Inc.	**Colt Industries Inc.**	Cash Tender Offer	660,000,000
Total Minatome Corporation, a subsidiary of Total Compagnie Francaise des Petroles	**CSX Corporation**	Divestiture of CSX Oil & Gas Corporation	612,000,000
Transco Energy Company	**CSX Corporation**	Divestiture of Texas Gas Transmission Corporation (Pending)	571,000,000
WCI Holdings Corporation	Wickes Companies, Inc.	Cash Tender Offer/Merger for Preferred Stock (Pending)	538,000,000
AHSC Holdings	Alco Health Services Corporation	Cash Tender Offer/Advised **Alco Standard Corporation** with regard to its 49% Interest (Pending)	515,000,000
Coca-Cola Enterprises Inc.	The Coca-Cola Company	Acquisition of Miami and Memphis Bottling Operations	500,000,000
Alitalia, British Airways, KLM Royal Dutch Airlines, Swissair and USAir, Inc.	**UAL Corporation**	Sale of 49.9% Interest in the Covia Partnership (Pending)	500,000,000
Hachette S.A.	**Grolier Incorporated**	Cash Tender Offer	470,000,000
Ford Aerospace Corporation, a subsidiary of Ford Motor Company	**BDM International, Inc.**	Cash Tender Offer	451,000,000
Electronic Data Systems Corporation, a subsidiary of General Motors Corporation	MTech Corp	Merger for Cash and Securities	446,000,000
Royal Bank of Scotland Group plc	**Citizens Financial Group, Inc.**	Merger for Cash	440,000,000
Beacon Oil Company, a subsidiary of Ultramar PLC	**Union Pacific Resources Company, a subsidiary of Union Pacific Corporation**	Divestiture of Wilmington, California Refinery	440,000,000
Merrill Lynch Capital Partners, Inc.	**Campeau Corporation**	Divestiture of AnnTaylor Inc., a wholly owned subsidiary of Allied Stores Corporation (Pending)	430,000,000
A consortium comprised of: Brierley Investments Limited, Qantas Airways Limited, AMR Corporation, Japan Air Lines Company, Ltd.	**Her Majesty the Queen in Right of New Zealand**	Privatization of Air New Zealand Limited (Pending)	420,000,000
Coles Myer Limited	Progressive Enterprises Ltd.	Merger for Cash	416,000,000
SmithKline Beckman Corporation	**International Clinical Laboratories, Inc.**	Cash Tender Offer	400,000,000
BASF Aktiengesellschaft	Polysar Energy & Chemical Corporation	Acquisition of Latex Division of Polysar Limited	383,000,000
IBC Holdings Corp., A New Corporation Organized by First Boston, Inc., George K. Baum Group, Inc. and Management	Interstate Bakeries Corporation	Cash Tender Offer/Leveraged Buyout with First Boston, First Boston Mezzanine Investment Partnership, George K. Baum and Management as Investors	367,000,000
SPE Acquisition, Inc.	**Specialty Equipment Companies, Inc.**	Cash Tender Offer	350,000,000
Kawasaki Steel Corporation	Armco Inc.	Formation of a Joint Venture with the Eastern Steel Division of Armco Inc. (Pending)	350,000,000
AMAX Inc.	Chevron Corporation	Repurchase of 15.2 million Shares of Common Stock	349,000,000
Suntory Limited	Allied-Lyons PLC	Formation of a Joint Ventures and Acquisition of Minority Interest	349,000,000
TVX Broadcast Group Inc.	**TVX Broadcast Group Inc.**	Recapitalization	345,000,000
Pacific Enterprises	**Sabine Corporation**	Cash Tender Offer	339,000,000
Cooper Industries, Inc.	**RTE Corporation**	Cash Tender Offer	330,000,000
Sequa Corporation	**Atlantic Research Corporation**	Cash Tender Offer	321,000,000
Kelso & Company	Arkansas Best Corporation	Cash Tender Offer/Bridge Loan $121,000,000	316,000,000
VS Acquisition Corporation, a new corporation formed by Senior Management of WCI Financial Corp.	**WCI Holdings Corporation**	Divestiture of WCI Financial Corp.	305,000,000
Kaufman & Broad Home Corp.	**Kaufman & Broad, Inc.**	Restructuring/Spin-off (Pending)	300,000,000
Repsol Exploración	**Occidental Petroleum Corporation**	Sale of 25% Stock Interest in Repsol Occidental Corporation	272,000,000
The Home Group, Inc.	**Carteret Bancorp Inc.**	Merger for Cash	270,000,000
Affiliated Publications, Inc.	McCaw Cellular Communications Inc.	Acquisition of Additional 8% Interest in Exchange for Interest in Cellular Joint Venture	264,000,000
B-E Holdings Inc.	**Becor Western Inc.**	Merger for Cash and Debentures	256,000,000
GC Acquisition Corp.	**Campeau Corporation**	Divestiture of assets of Gold Circle, Inc., a subsidiary of Federated Department Stores, Inc.	251,000,000
Wisconsin Electric Power Company	**Cleveland-Cliffs Inc**	Divestiture of 93% Interest in Presque Isle Power Plant and Related Facilities	248,000,000
SnyderGeneral Corporation	Allis-Chalmers Corporation	Acquisition of American Air Filter	245,000,000
Foodmaker, Inc.	**Chi-Chi's, Inc.**	Cash Tender Offer	230,000,000
Massachusetts Computer Corporation	**Perkin-Elmer Corporation**	Cash Tender Offer/Sale of 82% Interest in Concurrent Computer Corporation	230,000,000
PNC Financial Corp	**Bank of Delaware Corporation**	Merger for Common Stock (Pending)	230,000,000
Transohio Savings Bank	AmeriFirst Bank, a Federal Savings Bank	Merger for Cash (Pending)	230,000,000
White Swan Acquisition Corp., a corporation formed by Merrill Lynch Capital Partners and Management	**Fleming Companies, Inc.**	Divestiture of White Swan, Inc.	227,000,000
Miles Inc., a subsidiary of **Bayer USA**	Cooper Companies, Inc.	Acquisition of Cooper Technicon, Inc. (Pending)	212,000,000
NW Acquisition Corporation	**Northwestern Steel and Wire Company**	Merger for Cash and Notes (Pending)	188,000,000
Dyson-Kissner-Moran Corporation	**Fortune Financial Group, Inc.**	Merger for Cash and Securities (Pending)	181,000,000

Note: First Boston clients appear in bold print.

performance

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
UNUM Corporation	The Continental Corporation	Divestiture of Commercial Life Insurance Company (Pending)	$179,000,000
Cleveland-Cliffs Inc	Cleveland-Cliffs Inc	Self Tender Offer for 5.1 million shares of Common Stock and 2.5 million shares of Preferred Stock	176,000,000
STC PLC	Computer Consoles, Inc.	Cash Tender Offer (Pending)	168,000,000
Meridian Bancorp, Inc.	**Delaware Trust Company**	Merger for Common Stock	160,000,000
Security Pacific Corporation	**First Pacific Holdings Limited**	Divestiture of The Hibernia Bank	160,000,000
First Bank System, Inc.	**Central Bancorporation Inc.**	Merger for Cash	152,000,000
Reliance Capital Group, L.P.	**Days Inns Corp.**	Merger for Cash	149,000,000
WestFed Holdings, Inc.	Western Federal Savings and Loan Association	Merger for Cash	147,000,000
FLX Acquisition Company, a new corporation formed by David H. Murdock	**Flexi-Van Corporation**	Cash Tender Offer	144,000,000
Emhart Corporation	**Advanced Technology Inc.**	Merger for Cash	140,000,000
Adams Publishing Acquisition Corp.	American Bakeries Company	Acquisition of Trailer Life Group (Pending)	138,000,000
Kinder-Care, Inc.	American Savings and Loan Association of Florida	Merger for Cash	137,000,000
LFC Financial Corporation	**Ransburg Corporation**	Takeover Defense	133,000,000
Agfa-Gevaert, Inc., a subsidiary of **Bayer AG**	Matrix Corporation	Cash Tender Offer	131,000,000
Adams Communications Corporation	Wesray Capital Corporation	Acquisition of Forward Communications Corporation	127,000,000
Barry Wright Corporation	**Barry Wright Corporation**	Restructuring	125,000,000
FB Holding Corp., a New Corporation Organized by First Boston, Inc. and Management	Pueblo International Inc.	Leveraged Buyout with First Boston, First Boston Mezzanine Investment Partnership and Management as Investors	125,000,000
The Sterling Group, Inc. Investor Group	**Brown-Forman Corporation**	Divestiture of ArtCarved	120,000,000
IMO Delaval Inc.	**Varo, Inc.**	Cash Tender Offer	118,000,000
Martin Marietta Corporation	**Gould Inc.**	Divestiture of Ocean Systems Division—Glen Burnie	117,000,000
Wesray Capital Corporation	The William Carter Company	Cash Tender Offer	116,000,000
Onset Corporation	**Decision Industries Corporation**	Cash Tender Offer.	111,000,000
GATX Pipeline Company, a subsidiary of GATX Corporation	**Union Pacific Resources Company**, a subsidiary of **Union Pacific Corporation**	Divestiture of Calnev Pipe Line Company	105,000,000
ASARCO Incorporated	OMI International Corp.	Merger for Cash	100,000,000
Banco Santander Puerto Rico	**Federal Savings Bank of Puerto Rico**	Merger for Cash (Pending)	100,000,000
Miles Acquisition Corp., a subsidiary of Homes Investment Group	**Insilco Corporation**	Divestiture of Miles Homes Division (Pending)	100,000,000
Westinghouse Electric Corporation	**Gould Inc.**	Divestiture of Ocean Systems Division—Cleveland Operation	100,000,000
King World Productions, Inc.	Certain Shareholders including members of the King Family	Repurchase of approximately 3.5 million shares of Common Stock	97,000,000
Kohl's Department Stores, Inc.	**Campeau Corporation**	Divestiture of Mainstreet Retail Stores, Inc.	90,000,000
Kinburn Technology Corporation	SHL Systemhouse Inc.	Cash Tender Offer for Majority Interest	90,000,000
Electrowatt Ltd.	Unitech plc	Acquisition of 29% Interest	89,000,000
Kerr-McGee Corporation	**Flag-Redfern Oil Company**	Merger for Cash	86,000,000
The Plessey Company plc	**Leigh Instruments Limited**	Cash Tender Offer	84,000,000
Control Data Corporation	**Time Incorporated**	Divestiture of SAMI/Burke Inc.	80,000,000
Sara Lee Corporation	**Adams-Millis Corporation**	Merger for Cash	80,000,000
Financial Protection Services, Inc.	CCC Information Services Inc.	Cash Tender Offer	79,000,000
S&P Company	**Falstaff Brewing Corporation**	Merger for Cash (Pending)	79,000,000
AMR Corporation	**Simmons Airlines, Inc.**	Cash Tender Offer	78,000,000
English China Clays P.L.C.	**Cyprus Minerals Company**	Divestiture of Cyprus Mines Corporation	74,000,000
English China Clays P.L.C.	J.L. Shiely Inc.	Merger for Cash	73,000,000
Sanofi	Erbamont NV	Acquisition of Kallestad Diagnostics, Inc.	72,000,000
Allegiance Capital Partners	**American Bankers Insurance Group, Inc.**	Divestiture of Financial Insurance Group, Limited (Pending)	66,000,000
Kaufman and Broad, Inc.	The Continental Corporation	Divestiture of Annuity Operations of Commercial Life Insurance Company (Pending)	65,000,000
International Salt Company, a subsidiary of Akzo America Inc.	**Diamond Crystal Salt Company**	Divestiture of Salt Division	65,000,000
Morris Newspaper Corporation	**United Broadcasting Corporation**	Divestiture of KARK-TV, Little Rock, AR	62,000,000
S. H. Holdings Incorporated, a New Corporation Organized by First Boston, Inc. and Seymour Holtzman	Jewelcor Incorporated	Cash Tender Offer/Leveraged Buyout with First Boston, First Boston Mezzanine Investment Partnership and Seymour Holtzman as Investors (Pending)	62,000,000
Metropolitan Life Insurance Company	Texas Life Insurance Company	Merger for Cash and Notes	60,000,000
Renaissance Communications Corp.	**Camellia City Telecasters, Inc.**, a wholly owned subsidiary of **BMA Corporation**	Divestiture of assets of KTXL-TV, Sacramento, CA (Pending)	56,000,000
Presidio Oil Company	**BP America Inc.**	Divestiture of Certain Oil & Gas Properties	55,000,000
Kinburn Industrial Corporation	Paperboard Industries Corporation	Cash Tender Offer for Remaining 48.2% Interest	54,000,000
PepsiCo, Inc.	Calny, Inc.	Merger for Cash	53,000,000
Western Digital Corporation	Tandon Corporation	Acquisition of Certain Disk Drive Assets	49,000,000
Precision Standard Inc.	Hayes Holdings I Inc.	Acquisition of Hayes International Corp.	47,000,000
American Family Broadcasting Group	**Pegasus Communications, Inc.**	Divestiture of WTVM-TV (Pending)	45,000,000
Cliffs Drilling Company	**Cleveland-Cliffs Inc**	Spin-off to Shareholders of Oil and Gas Contract Drilling Unit	42,000,000

Note: First Boston clients appear in bold print.

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UK COMPANY NEWS – THE FUTURE OF GEC

Europe is the step to worldwide leadership

Terry Dodsworth and Anatole Kaletsky on GE's recent stress on overseas operations

GENERAL ELECTRIC of the US will emerge for the first time with a significant investment in the UK as a result of the deal it has just struck with Britain's GEC.

But its involvement in the UK, principally in Hotpoint, the domestic appliance company, is only one element in a much broader European expansion which suddenly began to accelerate about two years ago.

Back in 1987, GE had sales in Europe of about $2.7bn. By last year turnover had risen to around $4bn, a figure which is expected to increase to $6bn as a result of the transactions announced last week. The European business, with a current workforce of around 15,000 spread around the region, earns similar profits on its sales to the group's returns on its overall business – an annual rate of about 7.2 per cent after tax.

The sudden spurt of expansion is related to a slight shift of focus in the group.

Mr Jack Welch, GE's mercurial chairman, has long stressed the group's commitment to worldwide market leadership in the sectors where it has chosen to concentrate. But the company's asset base is still predominantly skewed towards the US, the biggest market in the world for its type of equipment, and sufficient in itself to give global leadership in some businesses.

It is only in the last two to three years that GE has begun to emphasise the importance of overseas operations as a part of these global ambitions.

This new emphasis on international activity has been helped by the fall in the dollar, which boosts the US value of foreign revenues. Indeed, on Wall Street, analysts argue that GE is underexposed internationally with only 20 per cent of its revenues generated overseas.

At the same time, the moves towards an integrated market in Europe have put pressure on GE to act now before all the good opportunities for expansion disappear.

"I have always been convinced that we should do more in Europe," says Mr Paolo Fresco, head of GE's international operations in London. "But the key element was the realisation that Europe was moving from a country-by-country organisation to a more international structure which would become in certain businesses the largest internal market in the world."

Mr Fresco argues that corporate globalisation also means localisation – multinationals need to put down local roots, in terms of both manufacturing lines and brainpower, he says, for both political and commercial reasons. Hence the investment in physical assets that now range across a variety of sectors.

● In medical electronics, GE has expanded rapidly to become the second largest company in Europe, toppling Philips of the Netherlands from this spot by the acquisition of 75 per cent of CGR's European activities in this field.

Growth began with a heavy investment programme three years ago, which took GE's sales from $90m to $300m. This then provided the platform for its acquisition of the CGR group from Thomson of France – Thomson at the same time took GE's RCA television subsidiary in the US – which has now been supplemented by the GEC stake. Including GEC's operations, the combined business will have sales of about $800m, well behind Siemens' $1.3bn in Europe, but around $50m more than Philips'. However GE is the worldwide market leader with about $2.7bn sales against Siemens' $2.3bn.

● GE Plastics is already European market leader in high performance plastics, with sales of $1.3bn. The company makes plastics to replace metal in a wide variety of areas, such as car bumpers and dashboards. With $1.5bn already invested in the Netherlands, it has recently announced further expenditure of $1.7bn in Spain.

● In aircraft engines, the GE parent group's biggest single business, the company has a large joint venture with Snecma, the French group which regularly comes close to the top of France's export league. Snecma's range of CFM engines is jointly developed with GE, and is then produced co-operatively, in plants on both sides of the Atlantic.

This emphasis on global activity has been helped by the dollar's fall, boosting the value of foreign revenues

GE has a number of other technology deals in aircraft engines. Ruston, the GEC subsidiary in the UK, is licensed to make both GE's T700 helicopter engine and a surveillance aircraft engine; the two are also working together on the $1bn joint development of a new aero engine. There is a separate engineering and licensing agreement with a consortium of Fiat in Italy, MTU in West Germany, and Volvo Flygmotor in Sweden.

● In domestic appliances, where GE has sales of about $4.5bn in the US, the company is now about to burst on the scene through the 50-50 joint venture agreement with GEC's Hotpoint, a $1bn turnover company.

● GE's power systems division is now set to expand through an agreement which gives it a 33 per cent minority share in the $720m turnover gas turbine group being formed by GEC-Alsthom. This will supplement a range of joint ventures and licensing agreements, which include sales of key parts by GE to its European partners. These companies include John Brown in the UK, AEG in Germany, the power engineering subsidiary of ENI in Italy, and Kvaerner Bruk of Norway.

● Other activities include the $300m Geisco information services division, which runs one of Europe's biggest private telecommunications networks, and has an agreement with ICL in Britain; the $100m Cogenec electrical distribution division, which is now being put into a joint venture with GEC; a $100m industrial diamonds plant in Dublin, currently being expanded to 500 employees; a joint venture with Fanuc, the Japanese company, in programmable controllers and industrial automation equipment; a joint venture with Bosch, the West German company, in small electric motors for the automotive industry; an investment by NBC, the television company owned by GE, in Visnews, a Reuters subsidiary; a rapidly developing financial services operation launched by GE Capital two years ago; and a further financial services investment by Kidder Peabody, the group's Wall Street investment bank, in Societa Partecipazioni Finanzarie, one of the leading Italian merchant banks.

GE has also made some divestments in Europe recently, notably of Calma, a small $40m computer-aided design company, and its more sizeable semiconductor division, which was sold as part of its worldwide activities in this field to Harris, the US microchip company. These disposals were part of the global leadership strategy, which has seen Mr Welch slim the company down to 14 main operating groups.

In Europe, there will undoubtedly be further acquisitions – indeed, Mr Fresco claims that the company has already mapped out a strategy for taking Hotpoint onto the continent.

But the group also intends to grow organically where appropriate, and will not eschew joint ventures.

There is, of course, a great deal of suspicion of collaborative agreements in the industrial field, on the grounds that they can lack leadership and are open to continuous disagreements.

Nevertheless, GE has made the Snecma arrangement work well – Mr Welch has been given the Legion of Honour in France – and believes that co-operative arrangements are the best way into some industries where a more aggressive, hostile approach might raise political objections.

At the same time, joint ventures are perceived on the other side of the Atlantic as cheap ways into the European market.

Takeover bids tend to raise the cost of entry by bidding up the target company's price; and a takeover effort by GE on a big conglomerate like GEC would leave the US company with lots of businesses, such as telecommunications and defence, which Mr Welch dislikes.

Plessey assertion sets stage for another bitter legal wrangle

By Hugo Dixon

GEC and Plessey are set for another bitter legal wrangle in the long-running battle for control of the UK electronics industry.

This follows Plessey's assertion at the weekend that GEC had broken undertakings given when the two companies formed GPT, their 50-50 telecommunications joint venture. GPT is the UK's leading telecommunications manufacturer and could, it is believed, be sold for up to £1.8bn in an international auction.

GEC plans to oppose Plessey's assertion vigorously, making a court fight virtually inevitable.

If Plessey won, it would have the right to buy GEC's half share in GPT at a price determined by independent auditors. The GPT agreement specifies that such a price should not include a premium for control, meaning that Plessey would be able to buy at what could be a knock-down price.

Such an eventuality could change dramatically the chemistry of the attempt by GEC and Siemens to acquire Plessey. GEC/Siemens would presumably have to pay a higher price to buy back half of GPT.

A Plessey legal victory might also give ammunition to Lazard Brothers, the merchant bank which is trying to put together a consortium to bid for GEC. It would argue that GEC's management had lost control of a valuable property at too low a price, meaning they were no longer suited to run the company.

All this is still extremely hypothetical, as the two sides' lawyers have opposing interpretations of the undertakings surrounding GPT.

Plessey argues that the undertakings are broken by the agreement between GEC and Siemens to bid for it. This agreement specifies that, after a successful bid, GEC would receive 60 per cent of GPT with Siemens getting 40 per cent.

There would be two intermediate steps. First, GEC would acquire Plessey's share in GPT, exercising its right under the agreement to do so in the event that control of Plessey changed hands. This would give GEC 100 per cent ownership of GPT.

Jack Welch: chairman and chief executive of General Electric

Second, GPT's share capital would be increased by the subscription of new shares, which would be acquired by Siemens. This would give the German company a 40 per cent stake.

It is this second step that Plessey's lawyers are objecting to. They argue that to achieve this, GEC will have to vote its shares in GPT in a particular way and that doing so contravenes a particular clause of the GPT agreement.

This says that neither party shall "deal with in any manner whatsoever the legal title to..... or any other interest in any shares or ..... agree to do any of the foregoing acts."

Plessey contends that a voting right is an important interest in shares and that, by agreeing to increase GPT's share capital following a successful bid, GEC has agreed to deal with its voting rights in a particular way.

GEC's main counter-argument is that this is not what "deal with" means. It has not agreed to transfer its voting rights to Siemens, simply agreed to increase GPT's share capital following a successful bid.

One uncertainty is where these legal arguments will leave Lazard's attempts to put together its consortium bid for GEC. Part of its plan is that AT&T, US telecommunications giant, will take a controlling stake in GPT following a successful bid.

However, if Plessey's legal argument has merit, would GEC not also be able to argue that Plessey has broken its undertakings?

Plessey clearly hopes not, as Lazard is trying to construct its bid in such a way that it does not fall foul of the GPT agreement.

The legal wrangle, however, raises a second question mark over Lazard's attempts. If Plessey wins the legal battle, it will own the whole of GPT. Would Lazard then still be able to fulfil a promise to sell a controlling stake in GPT to AT&T, as

If Plessey won, it would have the right to buy GEC's half share in GPT at a price determined by independent auditors

GEC would no longer own part of it?

Plessey is believed to have answered this question positively. It sees its legal manoeuvres and Lazard's attempts to construct a consortium as part of the same process rather than being in conflict with each other.

The difference is that, if it wins the legal battle, it would have bought half of GPT on the cheap which it could then presumably sell off with a premium.

Community set for further shake-out in appliances

By Christopher Parkes, Consumer Industries Editor

WITH THE arrival of General Electric on the threshold of Europe the stage is set for a further round of shake-out and consolidation in the Community's domestic appliance business.

The US group has been seeking an entrée to the Continent for more than five years, and it is unlikely to hesitate for long in the UK before making forays further east.

Either by acquisition, attrition, or more deals similar to last Friday's link-up, the joint expeditionary force under the Hotpoint brand – the property of GE in the US and GEC in Britain – is widely expected to be a prime mover in the further restructuring of the European appliances industry.

Italian companies such as Candy and Ariston, which also owns Indesit, rely heavily on the UK market for the bulk of their exports. They have felt the pinch recently as Hotpoint has surged to market dominance in most of the main UK white goods sectors.

Mr Vittorio Merloni, who controls the private Ariston company, mused recently on the prospect of establishing a joint venture to take advantage of the integration of European markets.

However, with strong connections already in place between Hotpoint and Bosch-Siemens of West Germany, the new partners might prefer to make their first moves in the rich industrial heartland of northern Europe.

In less than three years, all four of the leading US domestic appliance manufacturers, which share 85 per cent of the North American market, have forged substantial alliances in the European white goods industry.

Whirlpool is enmeshed with Philips of the Netherlands, White Consolidated is owned by Sweden's Electrolux, Maytag has bought Hoover and now GE has joined forces with GEC.

The latest deal shows clearly that further consolidation and integration are going to take place, Mr Anders Scharp, Electrolux president, said at the weekend.

In 1986, the immediate reaction in the US to his company's takeover of White, had been a fresh round of closures of small makers and mergers between medium-sized businesses. The same would happen in Europe, he forecast.

This was all to the good, Mr Scharp, added. He welcomed the US presence, even though the competition would be tough. Both of the partners were profit-oriented companies, unwilling to scramble for market share and volume at the expense of the bottom line.

For the industry at large, there is some small consolation to be gained from the likelihood that Japanese appliance makers, which have been threatening to move into Europe for the past two years, may well be deterred by the ranks of heavily reinforced defenders.

GEC to merge software arms

By Alan Cane

MARCONI SOFTWARE Systems and GEC Software, GEC's principal commercial computer software operations, are to be merged in an attempt to take a larger share of the fast-growing civil market for information technology.

To be called GEC Software Systems, the new company will be unveiled next month and will have a combined turnover of more than £15m. Its managing director will be Mr Brian Lovell who at present runs both companies as separate operations.

It will also be the lynchpin in an ambitious plan for closer collaboration in software and systems with Siemens of West Germany and Apollo Computer of the US.

Talks between GEC and the two companies are said to be edging towards an agreement, although the exact form of the collaboration has not yet been decided. It could involve anything from co-operative research and development to the formation of a separate joint venture systems company.

Siemens already has an original equipment manufacturer (oem) agreement with Apollo through which the US company supplies Siemens with its high-powered technical workstations. GEC and Siemens have worked together on a number of software projects over the years. They are presently part of a consortium which expects shortly to win European Community funding for a major software project as part of the Esprit II programme.

The project, for which Siemens is prime contractor, will cost about £36m over five years. Its aim is to create a standard European system for managing complex software development – technically described as an "integrated programming support environment (ipse)".

A key part of the project, which also involves Philips of Holland, Nixdorf of West Germany and Groupe Bull of France, will be a GEC Software product which helps to automate software production.

As software becomes increasingly fundamental to commercial and social systems, the use of ipses is seen as an important guarantee of quality and reliability.

GEC Software's chief strength is in software engineering while Marconi specialises in developing software to customers' specifications. While it is chiefly associated with defence projects, it has written software for Lloyds Bank, the Central Electricity Generating Board and British Aerospace. Siemens has special skills in artificial intelligence.

Collaboration between GEC, Siemens and Apollo could result in the formation of a major new European systems house, able to hold its own with large computing services companies like Cap-Gemini-Sogeti or Logica in the unified European market after 1992.

Whether the talks come to anything or not, GEC is determined to draw together its diverse software skills to attack the civil information technology market. Mr Lovell has pointed out that its expertise includes speech recognition, encryption, computer security, smart cards and viewdata.

Private investors own 58%

By Philip Coggan

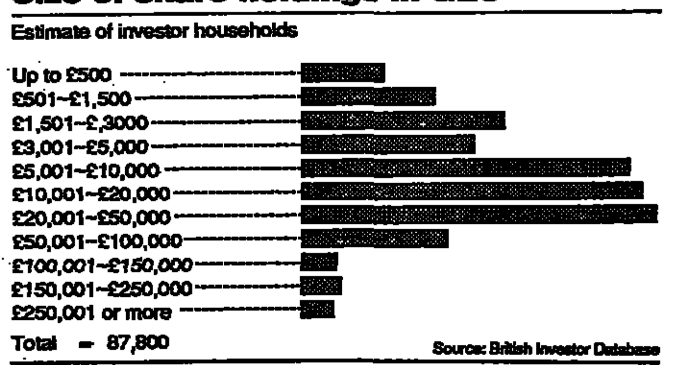
PRIVATE INVESTORS own 58 per cent of GEC, according to a survey conducted by the British Investor Database, a research group. The analysis is based on a 1 per cent sample of investor households.

The survey found that about 87,000 private investors have an average holding of £27,869, equivalent to a total private holding of £2.45m, or 57.9 per cent of GEC's market capitalisation last autumn, when the statistics were compiled.

Amongst major British companies, GEC is therefore ranked seventh in terms of the proportion of its market capitalisation which is in private hands. Companies which have a greater private interest, according to the research group, include British Gas, Boots and Royal Dutch/Shell.

There are about 12,000 private investors with holdings of more than £50,000 in GEC, including 1,400 who have stakes worth more than £250,000. That group of 12,000 investors owns about a third of the company, indicating that public relations would be an important part of any bid battle.

Size of share holdings in GEC



Source: British Investor Database

Database also analyses the GEC investor list by demographic category. It finds, unsurprisingly, that middle-aged families in "exclusive suburbs" are over-represented in terms of their proportion of the total population. Such people represent 15 per cent of all GEC investors.

The survey also finds that less affluent rural workers, pensioners and young professionals in bed-sitters are over-represented in the lists. Less affluent rural workers, for example, own 3.5 per cent of the electronics giant.

GEC is particularly popular in the countryside since "affluent farm communities" represent 6.2 per cent of investors, the second largest demographic group.

European Commission assumes a growing role in takeover scene

By Tim Dickson in Brussels

SIR LEON BRITTAN, the European Community's new Competition Commissioner, is being kept busy by the sudden surge of merger and would-be bid activity in Europe's electrical and electronics industries.

The European Commission confirmed yesterday that General Electric Company of the UK (GEC) and General Electric (GE) of the US had informed Brussels of their plans to pool several of their European activities and that the proposals, announced at the end of last week, were "being looked at."

The move is another illustration of the way in which the commission is assuming an increasingly important role on the European takeover scene, even though its legal powers to intervene in corporate takeovers are very limited at the moment.

With GE's share of the European market in the relevant sectors (consumer products, medical equipment, electrical distribution and gas turbines) relatively small, no competition problems are envisaged.

GEC, however, has been in close touch with the commission in recent weeks because of its hostile bid for UK electronics group Plessey in co-operation with Siemens of West Germany. That tie up is now under formal investigation in both Brussels and London and it is understood that details of the link were sent to Brussels so that the authorities could take an informal preliminary view.

A formal notification of GE's and GEC's intentions would have to be made in the unlikely event that Brussels thought there might be a possible breach of Articles 85 or 86 of the Treaty of Rome, and that a more formal investigation was *therefore justified*.

French group aiming to take controlling stake in Norwest

By Andrew Taylor, Construction Correspondent

NORWEST HOLST, the civil engineer which was racked by controversy over ownership during the 1970s and early 1980s, is negotiating to sell a controlling interest to a subsidiary of Compagnie Générale des Eaux.

CGE is France's largest water supplier and holds a 55 per stake in Société Générale d'Entreprises, one of the country's biggest construction companies.

SGE, which has a worldwide turnover of £3bn, is negotiating to acquire about 52 per cent of Norwest in a deal understood to be worth about £25m.

Norwest's management, through a new company to be funded by SGE, will also be making an offer to acquire a further 30 per cent of the company's shares. These will include shares acquired by B&C Ventures, the development capital subsidiary of British & Commonwealth, during a £7.5m cash injection in January last year.

Norwest managers propose to retain less than 20 per of the company's shares in their own right. The combined effect of the various offers would value Norwest at about £55m.

Mr Peter Mason, Norwest managing director, said the sale of a controlling interest to one of Europe's biggest construction groups would help Norwest gain market share when European Community trade barriers were dismantled in 1992.

He said CGE supported the British company's long term aim of refloating its shares on the London stock exchange.

St Gobain, the French glass maker, owns about 25 per cent of SGE, which has its own quote on the Paris bourse.

Norwest has had a chequered history in recent years. It was acquired by its management in 1986 in a £40m buy-out following a dispute between Mr Raymond Slater, the then owner, and Mr John Lilley, his former partner.

Operating profit since the buy-out has more than doubled and is expected to reach £9.5m in the current financial year to end-March.

The offer by SGE follows a series of recent acquisitions and joint ventures between British and French companies which have been seeking to increase their involvement before 1992.

Bovis, British housebuilder and construction group, recently announced plans for a Paris-based management contracting company in partnership with Copra, the French builder.

CGE itself has made agreed *bids for four of Britain's* 29 statutory water companies and has taken sizeable stakes in another six.

Ruling issued on water competition

By Andrew Hill

SEPARATE ownership of smaller statutory water companies would not be essential to competition in the industry after privatisation of the water authorities, the Government said yesterday.

A letter from Mr Michael Howard, the environment minister responsible for piloting the water bill through the House of Commons, confirmed that the Monopolies and Mergers Commission would look automatically at bids for water companies only if predator and prey each owned gross fixed assets of more than £30m.

He said share purchases giving investors "material influence" over larger water companies would also be covered by the policy changes, which were first outlined last week.

● Biwater, private UK water contractor has increased its stake in Bournemouth and District Water Company from 22.8 per cent to 23.7 per cent.

Organic growth lifts Heritage profits by 61%

Heritage, glass and ovenware distributor, reported interim pre-tax profits 61 per cent higher at £273,000, against £170,000, in its first figures since coming to the USM in July last year.

Turnover was up from £3.8m to £4.9m, an increase of 29 per cent.

Earnings per 10p share for the six months to the end of October 1988 came out at 3.78p (2.67p) and an initial interim dividend of 1.29p has been declared.

Mr Jeffrey Lampert, chairman and chief executive, said that most of the increase was due to organic growth.

There had been a good start to the second half with significantly higher sales during Christmas compared with the previous year, Mr Lambert added.

During the period Surfclass, supplier of household textiles, was acquired for up to £325,000. Mr Lampert said that further acquuisitions were being sought.

Poor weather takes heavy toll of Barr

By Philip Coggan

A G Barr, the UK fizzy drinks manufacturer, is blaming poor summer weather for a 37.5 per cent downturn in pre-tax profits in the year to October 29 1988.

Profits before tax of £3.32m compared with *last year's* £5.32m, and earnings per share fell 34 per cent to 37.7p (57.1p). The news caused the shares to fall 55p to 678p.

Mr Robin Barr, chairman, said that poor weather in July and August had affected sales, after a few warm days in June promised better conditions.

During the year Barr, which manufactures brand name drinks such as Tizer and Irn Bru, acquired Mandora St Clements, the soft drinks subsidiary of Mansfield Brewery for £21.5m. The cost of that move caused the interest position to change from a positive contribution of £834,000 to a charge of £959,000.

The integration also led to redundancy costs, taken as an exceptional debit of £365,000. In December, the group stopped production of cans at Walthamstow and concentrated manufacture at Atherton and Evesham; the Walthamstow site will be used for distribution.

A new high speed bottle blowing machine would be installed at Mansfield, as part of 1989's £4.75m investment budget.

Trading profits were £4.64m *(£4.48m) on turnover* 61 per cent up at £73m. The final dividend is unchanged at 9.75p for a maintained total of 13p.

Dalepak makes recovery

DALEPAK Foods staged a good recovery in the half-year ended October 31 1988 by lifting its pre-tax profits 48 per cent to £511,000.

The directors said they were confident of continued good progress in the second half.

They said steps had been taken to reduce Dalepak's dependence on what had become a mature Grillsteak market to the extent that the product represents 67 per cent of turnover, compared to 95 per cent 12 months ago.

While it is intended to maintain the strong position, it is anticipated that growth in other areas will continue to reduce the dependence on Grillsteak. Good progress has been made following the entry into the growing chilled foods market.

It was the slowdown in growth of the Grillsteak market and the increase in manufacturing beef prices that caused the company to report *lower full year profits* in 1987-88 of £1.13m (£1.52m).

However, that year's dividend was held at 2.7p, and for the current term the interim is again 0.9p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglia TV	fin	5.4	Apr 25	4*	7.75	5.8*
Asda Group	int	1.8 5	Apr 3	1.6	-	4.1
Barr (AG)	fin	9.75	Apr 7	9.75	13	13
Dalepak Foods	int	0.9	Apr 6	0.9	-	2.7
Evode Group	fin	3.83†	Apr 3	3.24	5.25†	4.44
Fletcher King	int	4.3†	Mar 3	2.5	-	7.25
Gestetner	fin	4.5	Apr 4	2	5.5	2.5
Goode Durrant	int	1.75	-	1.67	-	5◆
Heritage §	int	1.29	–	–	–	–
Norfolk House §	fin	2.625	Mar 1	-	3.375	-
Lon Scot Bank	fin	1.4	-	1.25	2.05	1.8*
Parkfield Group	int	3†	Mar 3	2	–	7
Ross Electronic§	int	1.2	Feb 17	1.2	-	3.5
Smith (David S)	int	2.75	Mar 17	2.1	-	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ◆For 18 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Adscene, Courts (Furnishers), Empire Stores, Hampson Industries, Harrison Industries, Hidong Estate, Rentaminster.
Finals- Aukett Associates, Brooke Tool Engineering, Burndene Investments, Johnstones Paints, LPA Industries, London & Clydesdale.

FUTURE DATES

Interims-

AIM	Jan. 25
Chemring	Jan. 26
Copson (F)	Jan. 18
First Spanish Inv Trust	Jan. 27
Glasgow Income Trust	Jan. 26
Kenyon Securities	Jan. 23
Knobs & Knockers	Jan. 25
Mountleigh	Jan. 31
Property Security Inv Tst	Jan. 25
West Trust	Jan. 25

Finals-

Bullough	Jan. 30
Company of Designers	Jan. 24
Soundtracs	Jan. 23
UK Paper	Mar. 8

UK COMPANY NEWS

Acquisitive Evode up 46% to £9m

By Clare Pearson

EVODE GROUP, speciality chemicals company known for its adhesives, paints and sealants, increased pre-tax profits by 46 per cent to £9.04m in the 53 weeks to October 1 1988. Turnover rose from £96.85m to £122.4m.

Roughly half the profits growth came from acquisitions. During the year Evode bought three companies, including So.F. TeR, an Italian thermoplastic compounds manufacturer, and the Manders powder coatings business, and made two divestments.

Since the period-end it has sold the car parts side of Supra Group, together with some land, and made two acquisitions, one being Technoplast, a Dutch plastic moulded products concern.

Mr Andrew Simon, chairman, said Evode, which had a low debt/equity ratio, would continue to be active acquisitively in the current year, focusing on the development of earnings bases both in Europe and the US. Overseas operations in Holland, Italy and Ireland accounted for nearly 20 per cent of its business.

He said last year's capital expenditure of £7.5m was likely to be exceeded in the current year with the integration of the Manders powder business, the development of polythene interests, and the ongoing expansion of plastic compounding all on the agenda.

By division, industrial coatings put in £2.2m (£1.2m), with Postans' and Worralls' powder coatings continuing to show organic growth.

Sterling Technology, acquired in August 1987, achieved profits up to expectations.

The plastics division, which sustained margin pressure and supply shortages in its polyethylene interests, put in £1.57m (£683,000). Sempol Products, a 1987 acquisition, was described as performing outstandingly.

Margins on the adhesives and sealants side, which provided £2.48m (£2.19m), were held back by the now almost completed two-year investment programme.

Supra Group, where the chemicals and paint side is being retained, provided £2.75m (£2.3m).

Fully-diluted earnings per share came out at 13.37p (11.4p). A final dividend of 3.83p (3.24p) is proposed making 5.25p (4.44p) for the year.

● COMMENT

Although being principally known for its busy programme of acquisitions and divestitures – which makes forecasting its performance rather complicated – these results showed Evode achieving a healthy degree of organic growth. In contrast to the days when it was heavily dependent on sales of Evostik and Bostick, Evode now stands pretty solidly on its four similarly-sized legs. This year, powder coatings should continue to grow well, the adhesives division should move ahead (notwithstanding some concern that the DIY-related side may be more difficult), and plastics will be boosted by a full-year contribution from So.F.TeR and the first-time inclusion of Thermoplast. But assuming the company makes £11.5m pre-tax, giving a prospective multiple of 11, the shares are not a give-away. A reduction in gearing from around 30 per cent at the year-end to less than 5 per cent now provides a sound basis for further acquisitions.

Europa Minerals float set on modified terms

By Clare Pearson

THE FLOTATION of the mining finance company Europa Minerals, which was put on ice before Christmas, is now set to go ahead by the end of the month.

But the terms of the placing are being modified to produce a more modest market capitalisation of about £12.5m, compared with the £15m originally envisaged.

The number of shares being placed is reduced from 5.5m to 4.5m, and the price per share cut by 10p to 100p.

A spokesman for Kleinwort Benson, the issue's sponsor, said it had seemed prudent to adjust the terms and the reduction in the number of shares only reflected the cancellation of vendor stock.

Europa, which operates three mines in the UK, wants to become a balanced mining finance group using the cash generated by the coal mines to fund the expansion of precious metals exploration activities.

Ross Electronics improves to £201,000

By John Thornhill

ROSS CONSUMER Electronics, USM-quoted audio equipment and radio distributor, increased interim pre-tax profits to £201,000 in the six months to September 30 compared with £176,000 last time.

The pre-tax figure takes into account the £51,000 start up cost for its subsidiary, Ross Consumer International, which began trading in August and made its first sales in October.

Turnover rose from £1.92m to £2.22m, and Ross said it had increased market share and maintained its leading position in the UK headphone market.

Mr Ross Marks, chairman, said trading conditions had returned to normal after the disappointing levels of last year and exports had increased by 35 per cent.

Earnings per 10p share were 2.4p (3.1p). The interim dividend was unchanged at 1.2p. Ross said it expected the final dividend at least to match the 2.3p paid last year.

Goode Durrant surges 43% to £5.5m

By Ray Bashford

GOODE DURRANT, industrial and financial management company, boosted pre-tax profits 43 per cent during the six months to October 31, aided by increased returns from the expanded motor division.

Pre-tax profits for the company, in which the Australian FAI group has a 14.9 per cent stake, increased from £3.8m to £5.5m on a growth in turnover to £109m (£62.7m). Earnings per share were 6.5p (6.1p) and the interim dividend has been increased to 1.75p (1.67p) a share.

Mr Dudley Thompson, the finance director, said the company has a strong balance sheet with cash reserves of £20m and is investigating a broad range of opportunities for expansion during the next 12 months.

The performance of the motor division was distorted by the full returns of two subsidiaries which were acquired in 1987 and made only partial contributions to results in the previous corresponding half.

The division's pre-tax profits were £2.3m (£754,000) as Laidlaw, a Ford distributor acquired in August 1987 and Northgate, a commercial vehicle hire company bought in July of the same year, made maiden full returns to the October half.

The pre-tax profits from banking, investment income and trade finance eased to £1.7m (£1.9m). However, Mr Thompson said that during the previous October half the figures received a one-off boost from the sale of a stake in a listed company.

The housebuilding and construction business, which generates 60 per cent of turnover from the north-west of England and the rest from the south-east, lifted pre-tax profits to £828,000 (£722,000).

The international trading subsidiaries, dealing principally in agricultural commodities, countertrade and futures trading, lifted the pre-tax profits to £680,000 (£443,000).

● COMMENT

Companies with a diverse spread of activities are not high on the market's list of favourites. Goode Durrant's task in winning favour is, however, slightly more difficult than for most. Housebuilding and automotive retailing, which figure so prominently in the latest results, stand exposed in the coming year to any further tightening in credit while the South African trade finance operations will remain subject to political considerations. An acquisition utilising some of the £20m that the company has been sitting on for so long could help insulate it against these potentially damaging influences. With the shares perched at around the net asset backing of 115p a takeover bid cannot be ruled out. The death of Mr Larry Adler, the chairman of FAI, casts doubt over the 14.9 per cent holding and adds to the uncertainty. With annual pre-tax profits forecast at £11m and a prospective p/e at 8.7 the shares should be retained.

London Shop bows to offer from Peel

By Paul Cheeseright, Property Correspondent

London Shop yesterday offered its formal surrender to Peel Holdings, when the directors recommended that shareholders should accept Peel's offer of 340p a share. This signalled the end of a takeover struggle which effectively started when Peel bought 21.9 per cent of London Shop last October.

The move by the London Shop directors came after Peel had declared unconditional its offer for the ordinary shares and convertible loan stock, the whole valued at £308m.

Peel has acquired a portfolio of British shops valued at £319m. Its own portfolio, largely industrial and retail warehousing property, was valued at £134m last March.

But the takeover leaves Peel with debt of £300m and a debt-equity ratio of 90 per cent. Mr Peter Scott, the managing director, said that although the London Shop portfolio would not be broken up, there would be limited disposals to reduce the gearing level.

Taking a brand new approach in the valuation of brands

Nikki Tait details RHM's method and its reasons

RANKS HOVIS McDougall yesterday stepped back into the "brand valuation" controversy currently raging in the accountancy world, when it released a more detailed explanation and analysis of its own methodology.

The foods and bakeries group, which last summer fell victim to an abortive £1.7bn takeover bid from Sydney-based Goodman Fielder Wattie, has become the first British company to include a comprehensive "brand valuation" in its balance sheet.

PAXO

RHM set a value of £678m on more than 50 brands in its 1988 balance sheet, but stressed that the value introduced was one based on current cost rather than market value.

Other companies, however, have used alternative branding methods, and the Accounting Standards Committee is currently attempting to draw up guidelines aimed at bringing some uniformity to the way companies account for such items. One particular area of concern is whether assets such as brands should be depreciated over a number of years. The ASC is due to discuss the issues on January 25.

In the document released yesterday, RHM said that alternative brand valuation methods were considered but rejected. These included those based on marketing/advertising/research spend devoted to the brand, market value of brands, consumer recognition, premium pricing, or future earnings potential discounted back to present day values.

It argued that these methods have significant drawbacks.

The marketing cost method ignores the current financial position of the brand and the extent of legal protection; premium pricing fails to reflect the "stability of future demand" attaching to branded products and falls down for calculation purposes on the absence of generic products for some brands; consumer recognition "would bear no relation to commercial reality"; and the future earnings potential approach "is fraught with difficulties".

Of the "market value" alternative, RHM said that this would simply be the amount that a third party might reasonably pay for the brand. "In the case of a brand, the market value may fluctuate widely depending on the identity and intended purpose of the interested party," it commented, adding that incorporating such variables would cut across basic accounting concepts of prudence and consistency.

Elaborating on its own system, RHM said: "The overwhelmingly important factor in determining the value of a brand is its profitability, particularly its profitability over time." However, it recognised that not all the profits derived from a particular brand come from "brand" strength. They may, for example, result from the way the brand is distributed.

Accordingly, the RHM system has drawn up different multipliers to be applied to each brand's profit figures. In arriving at the multiplier, each brand is scored according to seven factors – ranging from its position in its market to its internationality.

"The highest multiple that can be applied will be somewhat lower than that for a

McDougalls

risk-free investment and may vary from business to business and industry to industry," the company stated. "Multiples at the high end of the scale will probably be greater than the average p/e ratio of the sector in which the company operates. Those at the low end of the scale will be below this ratio."

Single-year profits from a particular brand may also be unreliable – hence RHM's decision to attach the multiplier to three-year weighted average post-tax profits for each brand.

On the thorny issue of depreciation, RHM claimed that "generally brands have no fixed life and therefore capitalisation may be made without any requirement for amortisation". However, it went on to argue that, if a brand suffers loss of value, a provision for this reduction should be made – although it might be possible to offset such a reduction against revaluation surpluses on other brands.

David Smith rises 8% to £16m

By Maggie Urry

DAVID S SMITH, largest paper-maker in the UK, reported an 8 per cent increase in pre-tax profits to £15.7m in the six months to October 29. So far the group has not been affected by the slowdown in consumer spending growth.

Earnings per share rose by 11.6 per cent to 15.4p, after a lower tax rate of 32 per cent (35 per cent). The interim dividend is raised by 31 per cent to 2.75p. Mr Brewster said this was justified by trading prospects to reduce disparity.

Sales rose by 41.5 per cent to £184.2m. However, Mr Richard Brewster, chief executive, explained that £36m of the £54m increase in sales had come from acquisitions, particularly the Kemsley Mill and Carfax waste paper business, which had yet to contribute to profits.

Underlying organic growth in sales was about 15 per cent, which reflected strong volume growth and price increases for the paper and packaging products. Mr Brewster said the result was very satisfactory and showed operating margins at 11.5 per cent, excluding the effect of acquisitions.

Profits were held back by a doubling of the interest charge to £1.5m, which reflected higher borrowings connected with the acquisitions and investment programme.

● COMMENT

David S Smith's shares have lost some of their earlier sparkle. Although the company is clearly doing all the right things to promote its longer term health, there is a feeling that it is in a sector which is not very exciting at present. The group is seeing no signs yet of the consumer slowdown hitting sales – and it works on short lead times so would be rapidly aware of any downturn – and to the extent that it is imports of consumer goods which are being sacrificed by hard-pressed shoppers David S Smith will be immune. Higher interest rates are meanwhile not helpful when the investment programme will take gearing to around 40 per cent by the year end, though the interest charge will still be well covered. The group's media ambitions have been tempered by the high prices for businesses. A slight lowering of forecasts for the year – to around £33½m pre-tax against £30.7m – means that the shares could be dull for a while longer on a prospective p/e of 9¾ with the shares closing yesterday at 320p up 1p, despite the generous dividend increase.

LIG sells electrics side for £23m

By Andrew Hill

LONDON INTERNATIONAL Group, consumer products and services company, has sold its electrical accessories business to RTZ Corporation for £23.1m, including £9.4m which will repay internal and external borrowings.

LIG, best known as the manufacturer of Durex condoms, announced the sale of the business last autumn as part of its strategy of concentrating on the core activities of health and personal products, and film processing.

The sale should reduce LIG's borrowings, which stood at more than twice shareholders' funds at the March 1988 year-end, by 10 or 15 percentage points. LIG aims to take gearing below 100 per cent by the end of 1988-89.

Last June, LIG sold the loss-making fine china subsidiary, Royal Worcester Spode, for £11m to Derby International Corporation, the private owner of the Raleigh bicycle operation, which also repaid Royal Worcester's borrowings of £26.6m.

Mr Paul Bristow, LIG's finance director, said there were no plans to dispose of other major parts of the business.

Three companies – Duraplug Electricals, Fleetwood Electrics and Tripower – are being bought by RTZ Pillar.

In the year to March 31, they made £1.8m before tax, on combined sales of £18.9m.

Duraplug makes extension leads and multiple plug adaptors for domestic and industrial use; Fleetwood, based near Duraplug in Kent, makes moulded pre-wired plugs, connectors and general wiring products for original equipment manufacturers, and Tripower sells power distribution systems to civil engineering and industrial companies.

Hanson: no Cummins bid

By Nikki Tait

HANSON, UK conglomerate, yesterday confirmed that it had no present intention of seeking control of Cummins Engine of the US, the world's largest independent maker of diesel engines.

In New York, where the statement was released, Cummins shares slipped $1⅛ to $63⅜.

Hanson disclosed just before Christmas that it had built up an 8.32 per cent stake in Cummins. It said then that its holding represented "an investment stake."

At its current price, Cummins is capitalised at around $700m (£400m).

Plumb shares depressed by profits warning

By Philip Coggan

Shares in Plumb Holdings, USM-quoted shopfitting group, fell 17p to 220p yesterday after the company warned that pre-tax profits for the year to January 28 would not match forecasts of £4m being circulated by analysts.

Losses on an overseas contract and planning delays at Plumb Designer Homes would limit profits growth, the company said, but the final figure would still be ahead of last year's £2.8m. A thorough review of the overseas contract had been conducted and full provision taken against all potential losses. The results for the year will be revealed in April.

The group's forward order book stands at a record level.

London Scottish held

A COMBINATION of higher interest rates and the effects of the postal dispute towards the end of the year had some impact on the second half profit figures and limited the rise in full-year profits at London Scottish Bank, Manchester-based finance company, to 16 per cent.

For the 52 weeks to October 25, pre-tax profits were £2.88m, as against £2.48m last time. This was struck on turnover 22 per cent ahead at £22.08m (£18.13m). The tax charge was up at £554,000 (£466,000).

Earnings per 10p share were 4.4p (4p) and the final dividend is 1.4p (1.25p) to make a total of 2.05p (adjusted 1.8p).

Buoyant demand boosts Fletcher King to £1.19m

By Paul Cheeseright, Property Correspondent

FLETCHER KING, chartered surveyor, lifted taxable profits 44 per cent in the six months to end-October and predicted that growth will be maintained for the full year.

The pre-tax outcome was £1.19m compared with £825,000 last time and £2.06m for the whole of the 1987-88 year. Turnover expanded 50 per cent to £3.8m (£2.54m).

Earnings per share were 8.7p – an increase of 30 per cent. The interim dividend is lifted from 2.5p to 4.3p.

In the future Fletcher King intends to split its dividends into the proportions of 40 per cent at the interim stage and 60 per cent at the year end.

With the possible exception of the City of London, demand for commercial property remained high, Fletcher King noted, so that "prospects for the full year are good and our growth will be maintained."

This buoyant demand has helped lift all the chartered surveyors which have reported interim results so far this year. Savills reported an increase of 42 per cent and Debenham Tewson and Chinnocks a rise of 64 per cent.

Harmony Gold Mining Company Limited

(Incorporated in the Republic of South Africa)
Registration No. 05/38232/06
ISSUED CAPITAL: R13 442 325 IN 26 884 650 SHARES OF 50 CENTS EACH

OPERATING RESULTS	Quarter ended 31.12.1988	Quarter ended 30.09.1988	6 months ended 31.12.1988
Ore milled (t)	2 363 000	2 435 000	4 798 000
Gold—produced (kg)	7 127	7 175	14 302
—yield (g/t)	3.01	2.95	2.98
Uranium—slime treated (t)	642 000	761 000	1 403 000
—oxide produced (kg)	38 400	40 100	78 500
—yield (kg/t)	0.060	0.053	0.056
Total revenue (R/t milled)	98.87	100.74	99.82
Total cost (R/t milled)	91.25	90.24	90.74
Total profit (R/t milled)	7.62	10.50	9.08
Gold price received (R/kg)	32 248	33 578	32 913
FINANCIAL RESULTS (R000's)			
Revenue—gold and silver	229 818	240 905	470 723
—uranium, pyrite and sulphuric acid	3 815	4 396	8 211
Total revenue	233 633	245 301	478 934
Cost	215 634	219 728	435 362
Working profit	17 999	25 573	43 572
Sundry revenue—net	4 250	3 621	7 871
Profit before taxation and State's share of profit	22 249	29 194	51 443
Taxation and State's share of profit	199	4 072	4 271
Profit after taxation and State's share of profit	22 050	25 122	47 172
Capital expenditure	6 809	9 428	16 237
Dividend declared	—	22 852	22 852

CLOSURE OF THE HARMONY URANIUM PLANT
The Harmony Uranium Plant was closed down at the end of the quarter due to low sales prices and high production costs.

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to [illegible]. The estimated total capital expenditure for the remainder of the current financial year is [illegible].

For and on behalf of the board,
C. G. KNOBBS (Chairman)
M. A. WATSON (Managing Director) } Directors

11 January 1989

Blyvooruitzicht Gold Mining Company, Limited

(Incorporated in the Republic of South Africa)
Registration No. [illegible]
ISSUED CAPITAL: [illegible] SHARES OF 25 CENTS EACH

OPERATING RESULTS	Quarter ended 31.12.1988	Quarter ended 30.09.1988	6 months ended 31.12.1988
Ore milled (t)	[illegible]	[illegible]	[illegible]
Gold produced (kg)	[illegible]	[illegible]	[illegible]
Yield (g/t)	[illegible]	[illegible]	[illegible]
Revenue (R/t milled)	[illegible]	[illegible]	[illegible]
Cost (R/t milled)	[illegible]	[illegible]	[illegible]
Profit (R/t milled)	[illegible]	[illegible]	[illegible]
Gold price received (R/kg)	[illegible]	[illegible]	[illegible]
FINANCIAL RESULTS (R000's)			
Revenue	[illegible]	[illegible]	[illegible]
Cost	[illegible]	[illegible]	[illegible]
Working profit	[illegible]	[illegible]	[illegible]
Sundry revenue—net	[illegible]	[illegible]	[illegible]
Profit before taxation and State's share of profit	[illegible]	[illegible]	[illegible]
Taxation and State's share of profit	[illegible]	[illegible]	[illegible]
Profit after taxation and State's share of profit	[illegible]	[illegible]	[illegible]
Capital expenditure	[illegible]	[illegible]	[illegible]
Dividend declared	[illegible]	[illegible]	[illegible]

DIVIDEND
[illegible]

CAPITAL EXPENDITURE
[illegible]

[illegible]

For and on behalf of the board,
C. G. KNOBBS (Chairman)
H. G. MOSENTHAL (Managing Director) } Directors

11 January 1989

Durban Roodepoort Deep, Limited

(Incorporated in the Republic of South Africa)
Registration No. 01/00326/06
ISSUED CAPITAL: R2 325 000 IN SHARES OF R1.00 EACH
OPERATING RESULTS

Underground operations	Quarter ended 31.12.1988	Quarter ended 30.09.1988
Ore milled (t)	500 000	562 000
Gold produced (kg)	1 524.0	1 783.8
Yield (g/t)	3.05	2.98
Revenue (R/t milled)	100.99	98.06
Cost (R/t milled)	101.88	108.30
Loss (R/t milled)	0.89	10.24
Sand treatment		
Sand treated (t)	33 000	37 000
Gold produced (kg)	37.8	52.8
Yield (g/t)	1.14	1.42
Revenue (R/t milled)	36.94	47.51
Cost (R/t milled)	14.86	11.84
Profit (R/t milled)	22.09	35.67
Gold price received (R/kg)	33 614	32 277
FINANCIAL RESULTS (R000's)		
Revenue	51 555	58 628
Cost	51 483	63 369
Working profit/(loss)	72	(4 741)
Sundry revenue—net	292	491
Profit/(Loss) before taxation and State's share of profit	364	(4 250)
Taxation and State's share of profit reversed	—	204
Profit/(Loss) after taxation and State's share of profit	364	(4 046)
Capital expenditure	4 246	1 795

DIVIDEND
No dividend was declared for the year ended 31 December 1988.

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R2.0 million.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the end of the quarter the company had sold gold in terms of its gold hedging operations as detailed below.

Quarter	Kilograms of gold sold	Average minimum realisable value per kilogram sold
1989—1st	467	R35 209
1989—2nd	124	R36 639

For and on behalf of the board,
C. G. KNOBBS (Chairman)
E. B. CROCKER (Managing Director) } Directors

11 January 1989

East Rand Proprietary Mines, Limited

(Incorporated in the Republic of South Africa)
Registration No 01/00772/06
ISSUED CAPITAL: R16 632 000 IN SHARES OF R1.00 EACH
OPERATING RESULTS

Underground operations	Quarter ended 31.12.1988	Quarter ended 30.09.1988
Ore milled (t)	505 000	657 000
Gold produced (kg)	1 799.4	2 203.7
Yield (g/t)	3.56	3.35
Revenue (R/t milled)	129.84	110.47
Cost (R/t milled)	163.43	144.27
Loss (R/t milled)	33.59	33.80
Sand Treatment		
Sand Treated (t)	260 000	256 000
Gold produced (kg)	303.5	219.3
Yield (g/t)	1.17	0.86
Revenue (R/t milled)	43.31	28.23
Cost (R/t milled)	10.64	9.18
Profit (R/t milled)	32.67	19.05
Gold price received (R/kg)	*36 836	32 937
*Due to closing out of gold hedging transactions.		
FINANCIAL RESULTS (R000's)		
Total revenue	76 830	79 807
Total cost	85 229	97 136
Working loss	8 499	17 329
Sundry expenditure—net	5 399	1 590
Loss before taxation and State's share of profit	13 868	18 919
Taxation and State's share of profit	—	—
Loss after taxation and State's share of profit	13 868	18 919
Capital expenditure	12 957	25 031

BORROWINGS
In terms of the Articles of Association, the company's borrowing powers are limited to R300 million. During the quarter the company negotiated an increase from R200 million to R220 million in its loan with [illegible]

PRODUCTION
[illegible]

SUNDRY EXPENDITURE
[illegible]

CAPITAL EXPENDITURE
[illegible]

GOLD HEDGING
All gold hedging ceased in the quarter ended 31 December 1988.

DIVIDEND
No dividend was declared for the year ended 31 December 1988.

For and on behalf of the board,
C. G. KNOBBS (Chairman)
M. A. WATSON (Managing Director) } Directors

11 January 1989

PLATINUM MINING COMPANY REPORT

Lefkochrysos Limited

(Incorporated in the Republic of South Africa)
Registration No. [illegible]
ISSUED CAPITAL: [illegible]

PROGRESS
[illegible]

	Quarter ended 31.12.1988
Lefkochrysos Limited and refinery	[illegible]
Rhodium Reefs Limited	[illegible]
	[illegible]

INTERIM REPORT AND CHANGE OF FINANCIAL YEAR END
[illegible]

For and on behalf of the board,
C. G. KNOBBS (Chairman)
E. B. CROCKER (Managing Director) } Directors

11 January 1989

GENERAL NOTES
1. All financial figures are subject to audit.
2. GOLD MINES
Operating Results
There were [illegible] milling days in the quarter compared with [illegible] in the preceding quarter.

Asda improves 15% to £109.3m

By Maggie Urry

ASDA, superstore group, showed that its investment programme was paying off by announcing pre-tax profits up by 15 per cent, from £94.8m to £109.3m for the 28 weeks ended November 12 1988.

The advance was earned on sales from continuing operations 9.5 per cent higher at £1.35bn. The shares rose 3p to 137p.

Mr John Hardman, chairman, said progress had been driven by the strategy of increasing the quality and quantity of stores, enhancing product quality and range, and improving customer service.

He said there was now an element of caution in trading because of the squeeze on consumer spending from higher interest rates. However, since the end of the period it had been a case of "so far, so good." A strong finish to Christmas had followed a slow start, and post-Christmas sales had been "quite satisfactory."

Results were distorted by the sale of MFI to a management buy out in November 1987. Asda retained a 25 per cent stake in MFI, which contributed £6.1m to pre-tax profits, and there was interest receivable of £20.7m (£4.1m) on the cash obtained from the sale. However, the comparable period included operating profits of £19.9m from discontinued businesses, including MFI.

Mr Hardman said cash balances stood at £70m at November 12; but because of the investment programme there would be debt of £100m by the year-end.

Asda stores increased sales by 10 per cent to £1.27bn and operating profits by 15.4 per cent to £74m. This was in spite of costs related to the development programme of £7m. Also the introduction of free carrier bags had absorbed £1.5m in the half-year and the extension of staff discounts had cost a similar amount.

Volume growth in like-for-like stores had been only 0.5 per cent, Mr Hardman said, though in refurbished stores sales growth was higher and margins were "between 1 per cent and 2 per cent better than the chain average." New stores contributed 7.7 percentage points of the 10 per cent sales increase.

The major development currently was the building of the national distribution system. The bulk of this will be completed by September and would enable substantial savings – for example instead of an average of 55 wagons delivering to each store every day there would be only eight or 10. In a full year the system could add £20m to profits.

At Allied Carpets the new management installed last year had striven for profits rather than sales. Turnover was unchanged at £79.5m while operating profits rose by 31 per cent to £6.3m.

Gazeley, the property development company contributed operating profits of £2.2m (£1.9m).

Fully diluted earnings per share were up 14 per cent to 6.12p (5.37p) and the interim dividend is raised 15.6 per cent to 1.85p.

See Lex

Advertising boosts Anglia TV to £16m

By Fiona Thompson

BUOYANT advertising revenue resulted in Anglia Television reporting a 33 per cent increase in pre-tax profits to £16m for the year to October 31 1988, against £12m.

Earnings per share rose from 18.14p to 23.9p, and a final dividend of 5.4p makes the year's total 7.75p (5.8p).

The group, IBA contractor for the east of England, saw net advertising revenue rise from £77.51m to £93m, a growth rate of 20 per cent compared with 11.8 per cent for the ITV network as a whole. Anglia's share of total advertising revenue rose from 5.9 per cent to 6.3 per cent.

The results "reflect the excellence of our sales force," said Sir Peter Gibbings, chairman. The first two months of the present year had been satisfactory. But it was difficult, he said, to predict what impact the high interest rates would have on advertising revenue.

Other contributors to Anglia's turnover of £104.33m (£86.85m) were UK programme sales of £5.41m (£4.13m), and overseas programme sales of £4.92m (£3.56m). Sundry and other income amounted to £1.89m (£1.65m).

There was an extraordinary debit of £835,000. This was made up of £2.07m profit on the sale of 25 per cent of the company's holding in Honk Kong-TVB, less a £2.8m write-off representing the end of Anglia's investment in Super Channel. A further £105,000 was provision made for diminution in value of an investment in an associate, Oxford Scientific Films.

Sir Peter said Anglia's investment to date in British Satellite Broadcasting, which it continued to believe had great potential, was £2.6m. The balance of its commitment, £9.2m, was due in the current year.

A £500,000 provision has been made for a staff reorganisation and early retirement scheme.

The proposal contained in the White Paper on the future of broadcasting that franchises should be awarded to the highest bidder would be bad for viewers, and regional coverage would suffer, Sir Peter said.

Sir Peter Gibbings: satellite investment of £9.2m planned

● COMMENT

A slightly bigger boost in advertising revenue and marginally better than expected programme sales meant these results exceeded City forecasts, and analysts were yesterday upgrading their pre-tax predictions for this year to about £18m. Anglia's biggest plus, of course, is being in the fastest growing region in the country, and, increasingly, the newcomers are the "younger people" so beloved of advertisers. While the changed networking arrangements will mean Anglia will face higher programme costs, the company hopes to go some way to offsetting this by boosting sales of its own programmes. It is particularly successful with wildlife and drama productions. The shares closed 2p up at 211p last night, and the £18m forecast puts them on a prospective p/e of 8, not the cheapest but a good investment.

Aviva takes option over 19% holding in Viking

By Ray Bashford

AVIVA PETROLEUM, oil and gas investment company, is in discussions with the board of Viking Resources Trust following the purchase of an option over 19.06 per cent of the capital.

The 80-day option has been acquired from Industrial Equity (Pacific), part of the group of companies run by Sir Ron Brierley, the New Zealand businessman.

Aviva bought a 15 per cent stake in Viking last year from another Antipodean businessman, Mr Alan Bond. With the option, Aviva has the potential to lift its holding to 34 per cent which would trigger a bid.

However, among the alternatives open to the company is to reduce its existing stake and settle at just below 30 per cent after the option is exercised.

Mr Lawrence Hockey-Sweeney, an Aviva executive, said that he had had preliminary discussions with Mr William Menzies-Wilson, chairman of Viking, and expected to hold further talks.

Lex buys Nissan dealers for £11m

Lex Service, the UK's largest multi-franchise vehicle distributor, has bought six Nissan car dealers from Dan Perkins for £11.1m cash, writes John Thornhill.

The six dealers, based in north London, Hertfordshire and Buckinghamshire, which last year made a combined estimated profit of £1.95m on turnover of £58m, are the third largest Nissan franchise in the UK.

In 1988 they sold approximately 3 per cent of Nissan's total UK new car volume.

This is Lex's first association with Nissan in the UK although it already represents it in the US.

Other companies in the Dan Perkins group with Peugeot Talbot, Seat and VAG franchises are not included in the acquisition.

Fed Housing shares fall 11p as buy-out fails

By Clay Harris

Shares in Federated Housing fell 11p to 207p yesterday after the Surrey-based housebuilder said there was no immediate prospect of an offer being made to take the company private.

Mr Peter Meyer, chairman, who had led the prospective management-led buy-out team, said higher interest rates had made financing of such a deal less attractive than it appeared when the possibility of an offer was announced on September 30.

Mr Meyer said he and his colleagues had considered a buy-out as a possible means of tackling longer term projects without the pressure of a public listing.

No firm offer or financing plans were ever put forward.

Federated shares closed as high at 283p in October after the announcement of the possible buy-out, although they had slipped to levels similar to yesterday's close by mid-December.

Cassidy Bros to join USM valued at £2.4m

By Vanessa Houlder

Cassidy Brothers, toy manufacturer, is joining the Unlisted Securities Market via a placing valuing it at £2.43m.

Marsden, W Hargreave Hale & Co, Blackpool-based stockbroker, is placing 810,000 ordinary shares, representing 15 per cent of share capital, at 45p each. No new funds are being raised for the company.

For the year ended April 30 1988 pre-tax profits were £451,000 (£346,000). It forecasts after-tax profits for the current year will be at least £339,000, up from £272,000 for 1988.

Formed in 1945, Cassidy makes miniatures of brand name domestic appliances.

Unilever expansion

Unilever is expanding in the olive oil market with the purchase of San Giorgio in Italy and 90 per cent of Jose Guiu y Cia in Spain for an undisclosed sum believed to be in cash. The two businesses will add annual sales of more than £50m.

Realising the value of the right location

David Waller on the changing fortunes of Camford Engineering

CAMFORD ENGINEERING is a typical metal-basher of the Thatcherite era. It came close to extinction in the recession of the early 1980s. It was rationalised. It recovered, and slowly but surely, it crawled back to financial health.

What makes this motor components manufacturer different from other such companies is that it had the good fortune to be located in the South of England, rather than amid the smokestacks of the North. The land on which Camford's press-shops and production lines were situated suddenly became very valuable.

This did not escape the attention of speculators, and about a year ago, Markheath Securities, the UK arm of the Australian Adelaide Steamship group, first started to pick up a few shares in the Hertfordshire-based company.

After an abortive market raid in December, Markheath last week managed to take its holding to 21 per cent – and, if market rumours of another raid are to be believed – looks set to take it to 29.9 per cent within a matter of days.

What stirred all this Antipodean interest was Camford's decision to dispose of a 20 acre site next to the station at Stevenage, a mere twenty minutes by train away from London's King's Cross. This is the home of Camford's George W King motor parts subsidiary, valued in the books at virtually nothing and, according to a circular sent to shareholders last month, capable of being sold for £20m.

At an extraordinary general meeting to approve the disposal in principle, Markheath refused to back the board, claiming that a price of £20m was far too low and that the auction of the site should be held up until Markheath – which is a property developer as well a builder of strategic stakes for its Australian parent – had come up with a set of alternative proposals.

"It was all very awkward," recalled Mr Brian Cox, Camford chairman, yesterday. "I knew at the time that we'd received an offer of at least £25m for the site, but couldn't disclose this because the tendering process wasn't complete."

This only came out last week, in a letter to shareholders which suggested that the Stevenage site would probably fetch nearer £30m than £25m. "The strange thing was," said Mr Cox, "that Markheath never did come up with any proposals in the meantime. I think they simply thought we were rather naive."

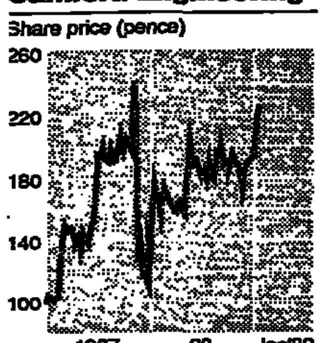
Mr Cox believes that Markheath wanted to use the property issue to win representation on the Camford board, thus securing a degree of management control without having to make a full bid.

"This would be entirely in character," said Mr Cox. "Mr John Spalvins (managing director of Adsteam) likes to operate through a tangle of cross-holdings."

Camford has other attractions, including a 20 acre site on the edge of the airport at Bourne, near Cambridge (a new-town likely to be built nearby, could be very valuable) and another tranche of land, ripe for building houses on, in a residential area of Bedford. According to some analysts, these assets are worth a minimum of 225p a share – broadly equivalent to yesterday's closing share price of 223p, at which the company is capitalised at £42m.

Camford Engineering

Share price (pence)



On top of that, there is a business in manufacturing and selling car components like axles and bumpers, which has steadily improved from a loss of £1.46m in 1981 to an estimated £6m in the current year.

Markheath – which has disclosable stakes in a number of UK quoted companies – yesterday refused to comment on its intentions, although it said last week that it ruled out a bid for Camford and wished to remain a friendly shareholder.

Mr Cox would not comment on whether the Camford board would grant Mr Spalvins's request for a seat on the board. If Camford did not, the relationship between Markheath and Camford would be anything but friendly. "I predict great proxy battles on every occasion if that happened," said Mr Cox.

HTV purchase talks off

Talks between HTV, independent television contractor for Wales and the west of England, and British Coal over the sale of Compower, British Coal's computer bureau business, have broken down.

Both sides declined to comment but it is understood that price was a major obstacle.

HTV announced last November that it was in talks Coal over the possible purchase of a majority holding. The move was seen as an attempt to diversify and raise profitability in the run-up to the next round of franchises.

Technicality gives Globe 7.44% of Sturge

By Nick Bunker

GLOBE INVESTMENT Trust has emerged as the controller of 7.44 per cent of Sturge Holdings, the largest underwriting agency in Lloyd's of London, because of a technicality arising from Sturge's acquisition in 1987 of the Bellew, Parry & Raven agencies, which were at the centre of one of the Lloyd's scandals of the early 1980s.

Globe disclosed at lunchtime yesterday that it speaks for 3.85m shares in Sturge, an announcement that puzzled stock market analysts and traders because they had noticed no signs of unusually heavy buying, though the group's 1988 results are due to be announced today).

The explanation, according to Mr David Coleridge, Sturge chairman, was that Globe is holding 2.3m Sturge shares, currently worth some £5.5m, in escrow on behalf of the former owners of BPR, principally Mr Arthur Henry Bertram Grattan-Bellew, Mr John Parry and Mr Frederick Raven and their families.

All three men were late last year found guilty by Lloyd's of misconduct involving the channelling of at least £13m belonging to members of insurance syndicates at Lloyd's into companies controlled by the three men in offshore tax havens.

The 2.3m shares formed part of the consideration paid by Sturge for the BPR agencies, under a deal announced by the group in November 1987.

According to the official Lloyd's disciplinary report, the draft contract of sale between Sturge and the owners of the Bellew, Parry & Raven agencies stipulated that Sturge shares used to pay for the agencies should be held in escrow so as to meet any claims which might arise from the 3,000 members of Lloyd's whose money was channelled offshore by BPR.

The 3,000 affected people are currently waiting to receive at least £13m under a settlement of the affair now under negotiation with Mr Grattan-Bellew, Mr Parry and Mr Raven.

Gestetner tops City forecasts with 26% advance to £28.8m

By Vanessa Houlder

GESTETNER HOLDINGS, the office equipment group managed by AFP Investment Corporation, its Australian shareholder, yesterday announced a 26 per cent rise in pre-tax profits from £22.8m to £28.8m for the year to November 5.

The results exceeded analysts' expectations and the share price rose 11p to 227p.

Turnover decreased by 6 per cent to £397.2m (£422.3m). However there were poor performances from subsidiaries in Sweden, Holland, Belgium, the UK – which saw operating profits shrink from £5.1m to £4.6m – and the US, which made a loss.

Mr Basil Sellers, chairman, blamed a poor performance by the salesforce, but added that there had been improvements since management changes last year.

Gestetner's core products include stencil duplicators, offset printers, copiers, facsimile machines and laser printers, and are all expected to contribute at least 15 per cent to profits over five years.

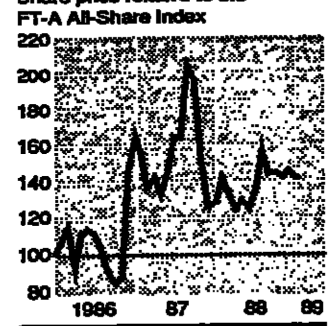
Fully diluted earnings per share increased by 16 per cent to 27.1p (23.4p). The final dividend was more than doubled to 4.5p (2p), making a total of 5.5p (2.5p).

● COMMENT

In recent years, Gestetner has resembled a plate-spinning variety act. No sooner does it get half its operations spinning smoothly than the remainder – in this case, the UK and US businesses – begin to wobble. However, for Gestetner's new management, these mishaps merely illustrate problems inherited from the past. Thus the salesforce, used to selling stencil machines to churches and schools, were not geared to the more sophisticated marketing needed to sell copiers and faxes. Now, the new management reasons, the company should try to sell higher-tech products in a less old fashioned way, with a strong emphasis on service and maintenance contracts. The City respects this logic and shares Gestetner's confidence that it can raise margins to 8 per cent at least. On the downside, however, the failure of the Impact Systems joint venture in Australia last year, casts a certain shadow over the management's perceived skills when it comes to acquisitions and expansion. That said, the confidence of the City is reflected in the strong performance of the shares, which have gained 15 per cent in value this year. Assuming the company makes pre-tax profits of £35m this year, this puts the shares on a unexacting p/e of 7.5.

Gestetner

Share price relative to the FT-A All-Share Index



Parkfield expands to £6.82m

By Andrew Hill

PARKFIELD GROUP, the expanding conglomerate with interests from vehicle wheel and chassis manufacture to video distribution, increased pre-tax profits by 29 per cent to £6.82m in the six months to October 31, compared with £5.29m in the equivalent period, restated to account for mergers.

Turnover in the traditionally weaker first half rose from £96.38m to £132.4m.

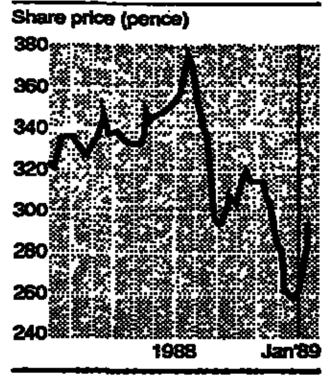
Margins were slightly reduced after the interest charge more than trebled to £1.27m (£383,000). Earnings per share increased 21 per cent from 8.2p to 9.9p, and an interim dividend of 3p (2p) was declared.

In July 1987, Parkfield raised £29m via a rights issue, and a further £29m last October with an issue of redeemable preference shares. Mr Roger Felber, chairman, said the group had now spent roughly half the £21m projected for the year's capital expenditure, mainly on the manufacturing operations.

He added that peripheral businesses, in particular the electrical distribution operation, could be sold before the year-end.

Parkfield Group

Share price (pence)



● COMMENT

Last year's hiccup in Parkfield's share price has left observers somewhat cautious about the group. This could be putting too much emphasis on the past and not enough on the benefits to be achieved in future from recent and continuing heavy investment in the manufacturing operation.

Parkfield is looking to open a wheel-manufacturing plant in North America by the end of 1989, and is considering possible joint ventures with companies in the Far East to manufacture wheels there and distribute satellite receiving equipment in the UK. Planned disposal of the loss-making electrical distribution business should focus investors' attention on Parkfield's attractive core operations, despite the fact that acquisitive mini-conglomerates are generally out of favour. Unchanged forecasts for 1988-89 of about £25m before tax put the shares on a prospective p/e of around 8.

COMMODITIES AND AGRICULTURE

Zinc breaches $1,700 a tonne as stocks fall

By Kenneth Gooding, Mining Correspondent

THE PRICE of high grade zinc for immediate delivery moved above $1,700 a tonne for the first time on the London Metal Exchange yesterday and three-months metal also set a new record.

Traders said a number of immediate factors were responsible, including a fall of 3,225 tonnes in the LME zinc stocks to 41,550 tonnes last week – the first drop in seven weeks – at a time of heavy demand.

A strike at Samin's zinc smelter in Sardinia, which produces about 75,000 tonnes a year, also contributed to the bullish sentiment yesterday, as did the threats of more industrial disputes in the troubled Peruvian mining industry.

However, the market brushed aside early news that the 10-day strike at Outokumpu's Kokkola smelter in Finland was over. The smelter produces about 3,000 tonnes of zinc a week.

By early afternoon, three months high grade zinc reached a record $1,680 a tonne before ending the day at $1,676.50, up $30 from Friday's level.

Cash metal ended at an all-time peak of $1,712.50, up $24.50 a tonne.

The only sector of zinc usage that is expanding is galvanised steel which in turn is being driven by the car makers.

A Reuter news agency world-wide survey indicated yesterday that the trend is likely to continue as car makers use more zinc-coated steel in bodywork to meet growing consumer demands for longer protection against rust.

"In three to four years every car producer could be using galvanised steel," predicted Mr Neil Buxton, analyst at Shearson Lehman Hutton. Mr Graham Deller, analyst at Metals and Minerals Research Services, suggested that about 250,000 tonnes of zinc a year was now being used to protect car bodies out of total western world usage of 5.5m to 6m tonnes. Six years ago demand from the car makers was "negligible."

Mining Bolivia's man-made mountains

Ian Rutledge and **Phil Wright** study a plan to rework tin tailings from old operations

GOING OVER other people's rubbish, as some miners call it, can be a very profitable way of producing metals. Modern techniques make it possible to extract handsome returns from the leavings of previous generations of miners – and the older those leavings are the richer the returns are likely to be. The metallic contents of the dumps tend to rise with their antiquity, because the older ones date from periods when much less efficient mining and beneficiating techniques were in use.

Bolivia is particularly rich in tin tailings, as they are called, and 60m tonnes of them are concentrated in one locality: the huge tin-mining centre of Catavi-Siglo XX, in the Department of Potosi, on the 13,000-ft-high Altiplano. Although regular working at the mine ceased in 1985, a potentially rich future awaits the area if current plans for working the dumps by open cast methods take off.

However there is strong disagreement between the miners' union, the FSTMB, and Comibol, the state mining company, over who should run the new mining operations.

The huge size of the Catavi tailings dumps is immediately apparent to the driver negotiating the hair-raising mountain road from Oruro, the main city of Northern Potosi. As the road descends from around 13,500 feet, approaching the outskirts of the mining area, a further range of what look like white mountains appear. On closer inspection they prove to consist of the tailings from the Siglo XX flotation plant and the Victoria gravity concentrate mill which have accumulated over the past 60 years.

These tailings have an average tin grade of 0.3 per cent. If only a third of that tin were recoverable it would still constitute a stock of around 60,000 tonnes of metal requiring only the simplest of open cast methods to extract the ore.

Although consultants from the Dowa Mining Company of Japan made a cursory investigation of this possibility in the early 1980s, it was the Bolivian miners trade union, the FSTMB which made the first serious proposal to begin the work.

When the new conservative Government in Bolivia took advantage of the tin crisis to close Catavi-Siglo XX, a hotbed of union militancy, the regular labour force fell from 4,500 in 1985 to 500 by 1987. Nationally the labour force of Comibol fell from 27,600 to around 7,000 in the same period, while employment in private mines also plummetted.

Bitterly critical of the Government's New Economic Policy and the liberalisation and privatisation programmes which it entailed, the FSTMB began formulating its own alternative economic plans for mines which were closed under the new regime. Recognising the impossibility of continuing regular underground working at Siglo XX, where tin grades had fallen as low as 0.32 per cent, the union's technical advisers, themselves experienced mining engineers, presented the Government with a plan to rework the tailings and thereby maintain employment at Catavi-Siglo XX for around 400 union members.

The Catavi Reactivation Plan as it is known, is based on the selective working of 3m tonnes of higher grade wastes with an average tin content of 0.4 per cent. The existence of these higher grades was documented by the original mining records of the Patino Company which had operated the mine until nationalisation in 1952. From the mid-1920s onwards automatic samplers had monitored the tin grades of the tailings and the records were all maintained in the company archives at Catavi.

Average Tin content of mill tailings at Catavi-Siglo XX

Year	per cent
1975	0.22
1965	0.27
1955	0.37
1945	0.48
1935	0.74
1925	1.46

Source. FSTMB Catavi Plan

Under the plan, published last November, ore feed from these selected wastes would be fed to the Victoria treatment plant at a rate of 62,400 tonnes a month to produce a total of 315 tonnes of concentrate grading 38 per cent tin. Annual production of fine tin would be 1,437 tonnes. Total unit cost of production, was estimated at $1.92 per lb (including finance charges but excluding smelting and marketing charges amounting to some 83 cents). The plan assumed a modest tin price of $3 a lb (about 40 cents below the current price on the European free market) thereby providing an annual profit of $792,000 over the three year period of the project.

The Government and Comibol have rejected the plan. Sr Gonzalo Barrientos, the new General Manager of Comibol, says there is no certainty as to the spatial positioning of the higher grade wastes and therefore a consistent head grade of 0.4 per cent cannot be guaranteed. In response to this Sr Hugo Miranda, the mining engineer advising the union, insists that the location of the high-grade wastes is perfectly well known to engineers like himself who have worked at Catavi-Siglo XX, and he accuses the Government's mining advisers of lacking any practical knowledge of the Catavi mining area.

The union accepts that the relatively small quantity of the higher-grade reserves means that new technology is required to beneficiate the remaining millions of tonnes of wastes and they have therefore approached the Spanish company Equipos y Procesos (Eral) with a proposal to evaluate samples of the wastes with a view to their treatment by more modern beneficiation methods.

Last December the company reported to the union that by installing Eral's own spiral concentrators grades of waste much lower than 0.4 per cent tin could be worked profitably. The union wanted their Reactivation Plan to be implemented immediately while Comibol should purchase the new technology for the longer-term permanent rehabilitation of Catavi.

Faced with continuing Government inactivity they even considered introducing the new technology themselves. However, the union is unable at this point to raise the $120,000 required to install a 200 tonnes-per-day pilot plant at Catavi. In October a delegation from War on Want and the Britain's National Union of Mineworkers responded to requests from the FSTMB to visit Catavi, evaluate the reactivation plan and investigate the possibility of providing economic aid to restore the mine to life. But in the meantime the Bolivian Government, increasingly embarrassed by the union's imaginative initiative, decided to finance the Eral pilot plant itself, although it arranged for its installation at Huanuni, another mining centre about 50 km. away, allegedly because of lack of security at Catavi.

With the union now demanding that the Government turn Catavi over to them to operate, with or without Government assistance, the Ministry of Mines announced this month that it was giving the go-ahead for Eral to operate the Catavi project, probably in a joint venture with Comibol. However, this has angered the miners' union which sees the move as heralding the privatisation of the tin mining industry.

The authors are partners in Sheffield Energy & Resources Information Services (SERIS), 103 Carter Knowle Road, Sheffield, S7 2DY

Producers agree higher export quotas

By Wong Sulong

THE ASSOCIATION of Tin Producing Countries has agreed to increase the export quota for its seven members by 4.5 per cent from March, when its supply rationalisation scheme enters its third year.

The new quota will be 106,400 tonnes, compared with 101,900 tonnes under the second year of the scheme. Virtually all the extra 4,500 tonnes will be allocated to Bolivia and Indonesia.

Non-ATPC producers, Brazil and China have agreed to limit their exports to 31,500 tonnes and 10,000 tonnes respectively.

The association said if the member countries plus Brazil and China kept to their export pledges the world's tin market overhang, would be reduced by a further 8,000 tonnes by the end of the third year of rationalisation to an estimated 30,000 tonnes.

"In fact, there is a good chance that the depletion rate would be more than 8,000 tonnes because it's unlikely Bolivia will be able to make full use of its quota of 14,000 tonnes," one ATPC delegate said.

The Bolivians got their quota increased from 12,500 tonnes to 14,000 tonnes by arguing they would be able to produce more following the restructuring of their tin industry.

Last year, Bolivia was only able to produce 10,000 tonnes, and it transferred 2,000 tonnes of its quota to Brazil.

However, the 1989/90 scheme specifically prohibits swapping of quotas among members and non-members.

Mr Redzuan Sumun, the association's executive secretary, said demand for tin was expected to show a further increase in 1989, and he expected the tin price to rise slowly from the current level of about 20 ringgit a kilogram (£4,120 a tonne) to 22 ringgit by the end of the year.

Copper up again after Chilean explosion

By Barbara Durr in Santiago and Kenneth Gooding in London

ONE PERSON was killed and 16 injured in an explosion on Friday in a new $81m flash oven at the world's largest copper mine, Chuquicamata, owned by Codelco, the state-owned Chilean group.

On the London Metal Exchange yesterday concern over the possible impact of the incident on supplies was still causing considerable nervousness and Grade A copper for delivery in three months rose to a record in sterling terms.

Codelco (Corporacion del Cobre de Chile) yesterday gave a preliminary estimate that the explosion last Friday would cause the loss of about 4,000 tonnes of fine copper.

The flash oven would be out of action for at least two months, a Codelco official said. Most of the output of 2,000 tonnes a day would be temporarily handled by Chuquicamata's other installations.

"For the time being there will be no force majeure," the official added.

The damaged oven had been functioning only since August last year and was installed to boost production and to compensate for Chuquicamata's declining ore grade which means more must be processed to achieve the same level of copper output.

Before the incident Codelco had forecast that Chuquicamata, in the desert 930 miles north of Santiago, would produce 700,000 of copper this year.

Last year the Codelco group produced a total of 1.09m tonnes of copper, a significant shortfall on the 1.124m tonnes it predicted early in 1988.

In London yesterday traders said the the copper price was boosted by the possibility that Codelco might have to buy on the world market to cover its commitments at a time when copper is in relatively tight supply and further strikes in the Peruvian mining industry are threatened.

Grade A copper for immediate delivery jumped £79 a tonne from Friday's level to £1,948.50 while three-month metal was up by £62 to £1,838.50 a tonne. However, the recent strength of the US dollar prevented the dollar price matching the record $3,225 a tonne reached on January 5.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium high grade	+9,450	to 141,200
Copper Grade A	+4,500	to 72,450
Lead	+200	to 59,700
Nickel	-288	to 8,460
Zinc	-3,225	to 41,550
Tin	-355	to 5,235
Silver (oz)	-128,000	to 14,644,000

Rubber tops 'must sell' level again

By Wong Sulong in Kuala Lumpur

THE INTERNATIONAL Natural Rubber Organisation's indicator price has once again broken through the "must sell" level of 242 Malaysian/Singapore cents a kilogram reflecting firm demand, and speculative activity.

The five-day moving average yesterday reached 243.6 cents, meaning that, unless the price falls back quickly, Inro's buffer stock manager will be required to be a net seller in the market. The last time he was in that position was on October 4 last year.

Mr Aldo Hofmeister, the buffer stock manager, attributed the sharp rise during the past month to steady overseas demand, and increased speculative activity, particularly from Japanese traders. Inquiries from the Soviet Union and China and the anticipation of the wintering season - when yields from rubber trees are reduced – also boosted market sentiment.

Mr Hofmeister confirmed that he had already been selling in the market (the price having been in the "may sell" range), and traders believed his holding was down to less than 15,000 tonnes, compared with 370,000 tonnes when he first began selling in September 1987.

"BSM sales no longer have any impact on the market, and the entire stock will probably be exhausted by the end of February," said a Malaysian trader.

Mr Hofmeister said prices were expected to remain firm for the next two months, after which prices would be determined by the severity of wintering.

The wintering season starts in February or March, when rubber trees in South-east Asia shed their leaves, and production could be reduced by between 30 and 50 per cent.

Denmark to liberalise laws on farm holdings

By Hilary Barnes in Copenhagen

DENMARK'S LAWS on agricultural establishment are to be liberalised to permit the creation of larger farm units, according to a compromise agreement between the minority Coalition Government and its parliamentary allies.

For the first time, farmers will be permitted to operate farms as limited liability companies.

The parliamentary deal will permit a maximum of 500 farms to operate as companies, after which the situation will be reviewed.

The theory is that farmers may be able to attract equity capital from outside interests by setting up as companies, but it is thought that the main interest in using the company system will be on the change of generation, when the heir inheriting the farm may be able to persuade his or her siblings to take their inheritances as shares in the farm instead of cash.

Other changes will raise the limits on the supplementary land which farmers can acquire and increase the maximum distance from the home farm. Farmers will be able to operate leased farms at up to 10 km from the home-farm, compared with 5km now and to increase their holdings by land acquisition to a maximum of 150 hectares compared with 100 ha today. Regional agricultural commissions will be able to grant dispensations from these rules with regard to local conditions. At present the commissions are only advisory and the Ministry of Agriculture has the last word.

Finally, persons who do not hold an agricultural training certificate will be able to buy farms up to a maximum of 30 ha compared with 15 ha now. Danish farmers have felt the squeeze from the country's generally high costs level and especially from several years of high interest rates on mortgage debt. There was a 53 per cent increase in foreclosures to 685 last year, according to the Bureau of Statistics.

Venezuelan bauxite production

BAUXIVEN, the state-run Venezuelan company that operates the country's only bauxite mine, reported production of 700,000 tonnes of ore in 1988 and expects to produce 800,000 tonnes this year, writes Joe Mann in Caracas.

The company plans to invest US$195m this year in the Los Pijiguaos mine, located in a site in a jungle region about 300 miles south of Caracas. The project already carries a price tag of about $460m.

The Government has identified large deposits of high-grade bauxite at Los Pijiguaos and hopes to be producing 3m tonnes of ore a year by 1990, all of which will be used by the domestic aluminium industry.

Bauxiven's general development plan calls for producing 4.5m tonnes a year by 1991, 6m tonnes by 1992 and 8m tonnes by the end of the 1990s.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices eased yesterday in routine trading as operators tried to fathom the implications of Brazil's economic austerity package. Dealers said the market had come to a halt as people waited to see what happens today when the Brazilian market reopens after yesterday's bank holiday. Cocoa prices were steady. While the bearish fundamental factors remain, dealers believe the recent falls have been overdone. n the LME nickel prices were supported by reports of fairly active consumer demand. LME warehouse stocks fell unexpectedly by 288 tonnes following last week's 4,224 tonnes rise, described by traders as an aberration. Aluminium firmed with copper. Traders said if the rise continued today, three-month metal would meet resistance around $2,400 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.00-4.10z	
Brent Blend	$16.60-7.00w	+0.05
W.T.I. (1 pm est)	$16.65-6.70w	+0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$168-171	
Gas Oil	$149-151	-2
Heavy Fuel Oil	$71-72	-1
Naphtha	$153-155	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$401.50	-4.25
Silver (per troy oz)♣	590c	-8
Platinum (per troy oz)	$518.75	-7.25
Palladium (per troy oz)	$131.50	-1.25
Aluminium (free market)	$2380	-15
Copper (US Producer)	134½-157c	+3
Lead (US Producer)	41c	
Nickel (free market)	725c	-10
Tin (European free market)	£4272.5	+82.5
Tin (Kuala Lumpur market)	19.99r	-0.01
Tin (New York)	349c	-1
Zinc (US Prime Western)	74½c	+½
Cattle (live weight)†	110.60p	-2.28*
Sheep (dead weight)†	180.45p	-8.13*
Pigs (live weight)†	76.74p	+1.79*
London daily sugar (raw)	$248.4x	
London daily sugar (white)	$272x	
Tate and Lyle export price	£248.0	+0.60
Barley (English feed)	£112.5	-0.5
Maize (US No. 3 yellow)	£132.5	+0.5
Wheat (US Dark Northern)	£124.5v	-3.3
Rubber (spot)♥	62.00p	-0.50
Rubber (Feb)♥	68.75p	-0.25
Rubber (Mar)♥	68.00p	-0.25
Rubber (KL RSS No 1 Feb)	304.0m	-2.0
Coconut oil (Philippines)§	$550x	
Palm Oil (Malaysian)§	$372.5w	
Copra (Philippines)§	$360	
Soyabeans (US)	$186	+2
Cotton "A" index	63.6c	+0.1
Wooltops (64s Super)	595p	-15

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Jan/Feb. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	802	796	803 795
May	807	801	812 805
Jul	817	817	822 815
Sep	827	827	830 825
Dec	847	848	850 845
Mar	865	867	869 855
May	871	877	875 873

Turnover: 1790 (5245) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jan 16: 1044.56 (1033.49): 10 day average for Jan 16: 1054.10 (1103.83).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1160	1170	1160 1149
Mar	1160	1169	1165 1149
May	1140	1152	1155 1135
Jly	1145	1146	1146 1132
Sep	1143	1140	1142 1132
Nov	1142	1140	1134 1122
Jan	1145	1140	

Turnover: 2197 (2697) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jan 13: Comp. daily 123.28 (124.28); 15 day average 131.42 (132.21).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	228.00	221.80	227.80 220.80
May	230.00	224.80	231.00 224.00
Aug	228.80	224.40	229.80 220.00
Oct	222.20	217.00	222.00 216.00
White	**Close**	**Previous**	**High/Low**
Mar	273.00	267.00	273.00 265.50
May	270.00	264.00	270.00 264.00
Aug	268.00	264.00	268.00 263.00
Oct	262.00	258.00	261.00 258.00
Dec	259.00	253.00	258.00
Mar	257.50	252.00	257.00

Turnover: Raw 3084 (2394) lots of 50 tonnes. White 1017 (1498). Paris- White (FFr per tonne): Mar 1720, May 1700, Aug 1700, Oct 1675, Dec 1680, Mar 1635

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne				
2250	204	219	34	112
2350	137	165	68	158
2450	87	126	114	214
Copper (Grade A)	**Calls**		**Puts**	
2200	245	228	123	319
2300	180	160	222	445
2400	64	109	354	590

TEA

There were 20,845 packages on offer at this week's auction including 3,200 in the offshore section, reports the Tea Brokers' Association. There was improved demand and the market consolidated. Assams sold readily at firm rates following quality. Africans met strong competition with the brighter descriptions often up to 5p dearer and all Pekoe dusts a strong feature. Ceylons attracted more competition at around their previous levels. Offshore teas met a good response at firm rates with some prices appreciably dearer. Quotations: quality 180p/kg nominal (150p) medium 115p (116p) low medium 84p (84p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,500 tonne
Cash	2420-2	2380-90	2400/2370	2380-1		
3 months	2283-5	2245-50	2295/2238	2247-52	2280-5	24,187 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,500 tonne
Cash	1945-9	1869-70	1912/1910	1911-3		
3 months	1838-9	1776-7	1839/1805	1810-1	1838-9	68,176 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	583-6	589-92		583-6		
3 months	595-8	597-600	603-5	597-600		446 lots
Lead (£ per tonne)						Ring turnover 12,300 tonne
Cash	377-8	385-7	378/374	378.5-7		
3 months	377-8	385-6	385/376	380-1	377-8	10,122 lots
Nickel ($ per tonne)						Ring turnover 2,584 tonne
Cash	16200-300	16200-300	16450/16150	16100-200		
3 months	15800-900	15800-900	16250/15850	15900-900	16200-300	6,047 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,600 tonne
Cash	1760-5	1710-20		1760-5		
3 months	1675-80	1645-55	1715/1710	1720-5	1725-35	2,603 lots
Zinc ($ per tonne)						Ring turnover 13,175 tonne
Cash	1710-5	1667-9	1705/1700	1701-5		
3 months	1676-7	1646-7	1685/1640	1665-70	1685-9	11,865 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	40.0	45.0	
Apr	70.8	73.5	73.5 69.5
May	82.0	85.5	84.0 81.5
Nov	82.5	85.5	
Feb	92.5	92.0	

Turnover 854 (395) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	168.00	172.00	168.00
Apr	169.00	173.00	171.00 169.00

Turnover 28 (286) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1646	1647	1646 1644
Feb	1675	1668	1680 1673
Apr	1698	1707	1705 1695
May	1492	1491	1490 1482
Jul	1595	1588	1595
Oct	1699	1690	1698
BFI	1650	1650	

Turnover 219 (382)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	112.00	112.40	112.00
Mar	114.00	115.30	115.20 114.00
May	117.00	118.35	118.15 118.00
Jul	119.60	119.90	119.60
Sep	102.10	102.10	102.10
Nov	104.60	104.60	104.60 104.50
Jan	107.00	107.90	107.90 107.75
Barley	**Close**	**Previous**	**High/Low**
Jan	108.55	108.70	108.65 108.55
Mar	111.20	111.60	111.45 111.30
May	113.80	113.90	113.80
Sep	100.15	100.10	100.15

Turnover: Wheat 90 (235), Barley 29 (179). Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	401¼-401¾	227¾-228¼
Opening	401¼-402	227¾-228
Morning fix	401.75	227.679
Afternoon fix	401.40	227.931
Day's high	402¼-402¾	
Day's low	400¾-401	
Coins	**$ price**	**£ equivalent**
Maple leaf	413-418	234-237
Britannia	413-418	234-237
US Eagle	413-418	234-237
Angel	413-418	234-237
Krugerrand	400-403	227-229
New Sov.	94½-95½	53-54¼
Old Sov.	94½-95½	53-54¼
Noble Plat	528.25-536.35	299.80-303.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	332.70	587.35
3 months	340.60	601.25
6 months	348.95	615.40
12 months	375.35	649.70

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	16.28	16.15	16.28 16.05
Apr	15.88	15.78	15.88 15.75
IPE Index	16.06	15.91	

Turnover: 1692 (5426)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	145.75	149.50	149.00 145.25
Mar	144.00	145.75	145.25 143.25
Apr	140.25	141.75	141.00 139.25
May	137.00	137.75	137.00 136.00
Jun	134.25	135.50	135.00 133.50
Jul	133.00	135.00	134.00 132.75

Turnover 6228 (6228) lots of 100 tonnes

US MARKETS

TRADING was very quiet in most commodities due to a U.S. holiday, reports Drexel Burnham Lambert. The metal markets had slow sessions as most banking institutions were closed. Copper futures reached contract highs on heavy volume despite the existing holiday. Platinum prices eased following Fridays soft close. In the softs, short-covering helped sugar prices advance 18 in March before trade selling pared further gains. Cocoa trading featured mostly switch activity by trade groups. Commission house and speculators were the best sellers in moderate volume. Coffee futures had its first quiet session in weeks. Grain markets were all pressured due mostly to the bearish production and inventory reports on Friday. Maize was especially weak as production increased greater than expected. In the soyacomplex, increased inventory and reworking of the Brazilian economy was noted. Wheat futures also sank with no new import business. Good weekend rains were seen in South America. In the meats, belly and hog prices were lower on commercial and professional selling electing commission house stop orders. Lower grains prompted selling as packer cutout margins remained in the red. Cattle futures fell also despite strong daily fundamentals.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Jan	402.2	402.3	0 0
Feb	403.1	403.5	403.8 402.3
Apr	405.5	405.9	406.4 404.8
Jun	408.4	408.7	408.8 407.3
Aug	411.4	411.3	411.5 410.2
Oct	414.3	414.4	414.0 412.9
Dec	417.6	417.8	417.8 416.1
Feb	420.5	421.0	420.5 420.0
Apr	423.4	423.6	0 0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Feb	18.76	18.46	18.77 18.32
Mar	17.67	17.68	17.69 17.51
Apr	17.31	17.16	17.33 17.01
May	16.98	16.84	17.00 16.71
Jun	16.72	16.61	16.75 16.48
Jul	16.58	16.50	16.58 16.40
Aug	16.45	16.40	16.52 16.30
Sep	16.35	16.31	16.35 16.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Feb	5290	5295	5390 5195
Mar	5075	5080	5075 4995
Apr	4815	4813	4820 4760
May	4595	4583	4600 4510
Jun	4490	4473	4510 4480
Jul	4450	4428	4475 4425
Aug	4510	4488	4500 4500
Sep	4500	4518	4600 4550

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Mar	1327	1350	1348 1325
May	1304	1341	1337 1303
Jul	1307	1342	1343 1305
Sep	1320	1350	1349 1320
Dec	1330	1358	1345 1330
Mar	1341	1365	1365 1365
May	1371	1383	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Mar	140.71	139.70	142.00 137.30
May	140.50	139.48	141.00 136.80
Jul	138.50	136.80	138.30 134.24
Sep	134.50	134.76	133.75 132.76
Dec	132.50	133.17	133.50 130.00
Mar	130.50	131.00	130.50 129.50
May	129.00	129.50	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	10.02	9.85	10.14 9.81
May	10.10	9.93	10.23 9.90
Jul	10.01	9.90	10.09 9.80
Oct	9.82	9.67	9.90 9.60
Jan	9.58	9.25	0 0
Mar	9.55	9.36	9.62 9.42
May	9.56	9.25	0 0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Mar	59.80	59.65	60.25 59.32
May	60.14	59.92	60.60 59.65
Jul	60.29	59.90	60.50 59.78
Oct	58.56	58.60	58.50 58.00
Dec	58.27	58.26	58.60 57.68
Mar	58.90	58.66	58.85 58.60
May	58.60	57.75	0 0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	151.30	153.80	153.60 151.00
Mar	147.90	148.35	148.75 146.95
May	147.60	148.15	148.00 146.70
Jul	147.70	147.40	147.00 146.90
Sep	145.70	147.15	147.15 146.10
Nov	145.10	146.20	145.00 145.00
Jan	144.25	144.80	0 0
Mar	144.25	144.80	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 13	Jan 12	mnth ago	yr ago
1974.5	1973.0	1903.5	1755.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	140.48	140.41	137.97	122.46
Futures	144.17	143.96	141.95	135.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Jan	21.30	22.25	22.00 21.27
Mar	21.81	22.00	22.40 21.80
May	22.14	23.13	22.91 22.13
Jul	22.63	23.61	23.48 22.61
Aug	22.80	23.80	23.60 22.80
Sep	22.95	23.95	23.60 22.95
Oct	22.90	23.65	23.60 23.02
Dec	23.21	24.20	24.00 23.21

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Jan	254.0	263.7	259.8 255.5
Mar	254.7	264.9	259.5 254.7
May	252.4	262.4	257.0 252.4
Jul	248.8	258.8	254.0 248.8
Aug	243.5	253.5	248.0 243.5
Sep	238.5	245.2	243.0 238.5
Oct	226.0	231.0	228.0 225.0
Dec	219.0	225.0	223.0 219.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Mar	430/0	441/0	439/0 430/0
May	415/4	426/4	423/0 415/4
Jul	395/0	405/0	403/0 395/0
Sep	398/0	408/4	405/0 398/0
Dec	404/0	414/4	412/0 404/0
Mar	410/0	420/0	415/0 410/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	74.10	74.45	74.70 74.07
Apr	75.50	75.75	76.05 75.47
Jun	74.20	74.47	74.85 74.17
Aug	72.40	72.65	72.90 72.35
Sep	71.67	71.80	71.95 71.62
Oct	71.17	71.42	71.45 71.15
Dec	72.35	72.60	72.70 72.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Feb	44.67	45.50	45.60 44.50
Apr	43.10	44.00	44.00 43.00
Jun	46.72	47.65	47.60 46.72
Jul	46.65	47.55	47.50 46.65
Aug	45.15	46.00	45.95 45.15
Oct	41.40	42.10	42.10 41.40
Dec	42.50	43.15	43.20 42.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Equities falter on lower retail sales

A STRONG dollar and an unexpected fall in domestic retail sales for December brought a further gain in UK equities as the new trading Account opened yesterday. However, with Tokyo closed and Wall Street at barely half-throttle, the London market balked at challenging its post-Crash closing high of 1879.3 reached last June, ending well below the day's peaks; the success of the FT-SE Index future contract in achieving a new post-Crash high failed to inspire the underlying blue chip stocks.

At its best, the FT-SE Index touched 1877.1, a net 15 points up after the announcement that retail sales had dipped 0.1 per cent in December. This compared with City forecasts of a rise of around 0.6 per cent and followed closely on a CBI/FT distributive trades survey suggesting sluggish retail sales growth. "A clear sign that the Chancellor's high interest rate policy is having an impact on consumer demand", commented Mr John Reynolds of Prudential-Bache (Equities). However, by the close the gain on the FT-SE Index had been trimmed to 9.7 for a final reading of 1871.8.

While the sales statistics strengthen hopes that base rates may peak at their current 13 per cent, the market considers it too early to look for any cuts. This week brings a rash of important economic data, including the US trade figures tomorrow and the latest UK earnings figures on Thursday. Wage pressures are the market's latest reason for concern.

UK equities were drawn higher last week in the wake of equity strength in the Japanese, US and Continental European markets. Analysts are now keen to see whether the Footsie breaks through its post-Crash peak or merely settles into a new trading range.

Mr John Whitehead, economic strategist at Fleming Securities, professed himself "a bit suspicious" of the retail sales statistics which have been sharply revised in the past. Unless the post-Crash high is definitively breached, he believes that the market may settle lower.

The bid stocks which also provided impetus for last week's market gain were calmer yesterday. Turnover in both GEC and Plessey was reduced as the market waited to see if the Metsun consortium will produce a bid for GEC, and whether American Telephone & Telegraph (AT &T) will join in.

Consolidated Gold Fields also traded calmly, with analysts unimpressed by suggestions of an early judgement on the Minorco bid from the UK Monopolies and Mergers Commission. The Commission's report is due to go to the UK Minister concerned on January 23, but the official ruling may not come for a further fortnight. A sharp rise in RTZ was ascribed to a gain in copper prices.

Account Dealing Dates

Option *First Declarations	Declarations	Last Dealings	Account Day
Dec 28	Jan 12	Jan 13	Jan 23
Jan 16	Jan 26	Jan 27	Feb 6
Jan 30	Feb 9	Feb 10	Feb 20

*New time dealings may take place from 9.00 am two business days earlier.

Surprise at VSEL bid story

Speculation surrounded VSEL Consortium, the Barrow-based submarine and ship builder, following a press report that several large groups were prospective bidders for the company - "almost certainly with the blessing of the Ministry of Defence".

VSEL said yesterday it was policy not to comment on press reports, but market sources claimed that the management was astounded over the claim. The news certainly surprised traders in the stock for there was no hint last week of any such approach, and the shares responded strongly yesterday. Amid brisk trading, they vaulted 55 higher to 455p, compared with the 150p level when floated after a management buy-out nearly three years ago.

The company has yet to appoint a new chief executive following the retirement of Dr Rodney Leach, and is also due to report interim trading results on Thursday. Profits are expected to be adversely affected by a three-month strike at Barrow over productivity and holidays.

Sun Life dominate

Most of the action in life assurances was concentrated on Sun Life. This is the group which attracted so much attention last year when a power struggle developed between Liberty Life, the South African group, via its Transatlantic subsidiary, and the Sun Life board, led by Peter Grant, which promoted a link up with UAP, the French insurance group.

UAP subsequently emerged from the battle with an 18.22 per cent stake in Sun Life, acquired at some £12.25 a share. It was suggested in the market yesterday that the French group had moved back to pick up further shares in Sun Life, thereby reducing the average price paid for its shareholding.

Activity in Sun Life was only some 295,000 shares but persistent small buying interest, apparently from one source in a very restricted market, boosted the share price to 970p before a closing level of 968p, a net gain of 35.

New GEC move

There was a marked contraction in activity among the stocks which featured the electronics sector last week, with traders content to wait for developments in the crucial battles for control of two of the UK's biggest groups, GEC and Plessey.

"We are looking for the next moves to come from America's AT & T which may join the Lazards/Metsun camp" said one dealer in the sector. Also in the news was Plessey's attempt to gain 100 per cent of the GEC/Plessey telecoms joint venture, GPT, on the grounds that GEC has ended the agreement by its move against Plessey in concert with Siemens.

At the close, GEC were unchanged at 212½p, with turnover of 11m said to include a wrongly reported 2.5m trade which should have read as 2,500 shares. It also emerged yesterday that GEC had moved in with a last-minute offer for British Rail Engineering.

Plessey, in minimal trade of less than 1m shares, dipped 1½ to 228½p. STC, recently strong on reports that it will not join the Metsun bid for GEC, added 3 more to 284p.

International stocks benefited from the dollar's continued firmness, but some ran out of steam before the close. ICI, which were strongly bought by Japanese sources last week, ended a touch easier at 1072p, with 3m shares traded. Nomura believes that, while ICI profits may fall this year, it will still outperform its European rivals.

Hanson remained a good market, although finally little changed at 159p. Also in demand was Unilever, 13 dearer at 481p as currency factors encouraged switching from the NV market.

Among banks Standard Chartered touched 529p before ending the session a net 3 harder at 517p with one securities house said to be still pushing the story that a renewed bid from Lloyds could be on the cards.

There was good business in brewery group Bass, which climbed 9 to 869p on volume of 2.2m shares. Dealers said that last week's stock shortage has stimulated speculation that Bass could become a bid target if the MMC's inquiry into "tied" pubs forces a dramatic change on the industry.

The building sector was among the market's liveliest areas with housebuilders, construction issues and building suppliers boosted by hopes that interest rates could well have topped following the latest retail figures for December.

The aggregates producers were given an extra lift yesterday as the market picked up the scent of a positive circular on the sector, issued, according to dealers, by one of the leading agency brokers. The circular was apparently very positive on RMC, which raced up 10 to 534p, after 539p, Redland, finally 12 higher at 446p, and Tarmac, which edged up 2¼ to 189½p.

But BPB Industries, the UK's biggest manufacturer of plasterboard, slipped back 4½ to 236p amid speculation that the company has reduced plasterboard prices by around 2½ per cent and that this lower level was about to be undercut by Continental opposition Knauf.

Macarthy and Stone, where there was a market whisper that the group could be about to bid for Anglia Secure Homes, jumped 13 to 381p; Anglia shares were a further 5 up at 420p.

The retail sales figures for December left the stores looking slightly off colour. "The figures were bad news for the sector, but good news for the market," was how one dealer summed up the day. The highlight of the day was the performance of Woolworth, which rose 11 to 265p on turnover of 3.3m shares. Dealers said that a combination of bullish noises on sales in the diy market – Woolworth owns the B&Q diy chain – and a stock shortage stimulated much of the buying.

British Steel took the trading honours for the umpteenth time with volume of 27m shares. Overseas demand again outstripped UK sales and the price, 65⅜p in partly-paid form, nudged nearer its best-ever level. Rolls-Royce continued to benefit from City presentations, improving in good turnover to 145¾p.

Gateway featured among firmer Food stocks, closing a penny weaker at 167p ex-div in heavy trading as a massive 15m shares changed hands. The cause for the strong interest in the stock was not immediately obvious, with dealers reviving the old story of a management buy-out to justify the volume. There was also a suggestion that A B Foods might be ready to sell its 15 per cent stake in Gateway, possibly to a hostile bidder. The fact that Gateway closed just a touch easier and A B Foods gained 3 to 315p after also going ex-dividend suggested that something may be in the pipeline, said one marketmaker.

Cadbury Schweppes came back into the bid-frame as it emerged from the US that General Cinema, a holder of 18.4 per cent in the UK group, has finally negotiated the sale of its bottling interests to Pepsi Cola for £1bn. The news revived hopes that General Cinema might bid for Cadbury, and the shares advanced 8 to 347p on turnover of 2.7m shares.

United Biscuits shed 4½ at 308p on the belief that if it intends to launch a bid for RJR Nabisco's European operations it will have to raise the money in the market, not having the funds to make a straight cash bid. Hillsdown climbed 7 to 249p on bullish weekend press comment.

Half-yearly profits of £109.3m at Asda pleased the market and the retailer's shares gained 3 at 137p. Soft drinks group A G Barr tumbled 55 to 678p after reporting a 38 per cent fall in annual profits to £3.3m.

Gestetner responded to sharply higher profits with a rise of 11 to 227p, while more-than-doubled earnings raised Norfolk House 23 to 176p. Plumb were less fortunate, and dipped 17 to 202p on the warning that profits "will be lower than current analysts' forecasts" while Parkfield slipped 6 to 292p on disappointing interim results.

The contest for Avdel ended when Textron defeated rival Banner Industries by increasing the terms of it offer to 100p per Avdel share, which finished 4¼ up at 99¼p. Optical & Medical International gained 8 to 143p in front of first-half figures, expected January 26, while news of Grand Central's larger stake lifted Armour Trust 3¼ to 29½p.

Granada attracted the attention of buyers, rising 5 to 342p, while press mention brought useful gains in Textron, 201p, and in Company of Designers, 86p. Confirmation of the Braniff Airlines of Dallas order left EIS 5 higher at 294p.

Radio broadcasting shares staged another rapid advance after weekend Press comment on the prospects of sharply higher advertising revenue in the business. Piccadilly Radio leapt 39 to 231p after the IBA approved the proposed merger with Midland Radio. Other big movers included Radio City "A", which jumped 32 to 377p and Radio Clyde, 11 firmer at 261p. Metro surged 19 to 189p.

The disclosure that Prudential Corporation holds a 6.24 per cent stake prompted small buying of Hunterprint which ended 15 up at 230p.

Shares in Dutch bid-target Hammerson once again reflected the market's confused state of mind. After opening slightly higher, the shares picked up ground around lunchtime as hopes rose of a new bid from Rodamco. They then eased back in mid-afternoon before finally regaining their early momentum in late trading, with the ordinary shares closing 13 firmer at 962p and the "A" shares 10 to the good at 911p.

Laing Properties continued to benefit the revaluation of Hammerson's property portfolio last week. Like Hammerson, Laing has extensive North American interests, and dealers think that the group is now worth a good deal more than the present price indicates. The shares closed 26 higher at 500p.

Unconfirmed reports of a meeting this week between Tootal and Australian shareholder Mr Abraham Goldberg, who with his family holds a 9.22 per cent stake, encouraged support for the shares which closed 3¼ dearer at a twelve-month high of 129p.

A newspaper suggestion that shares of British & Commonwealth had been oversold enlivened business in the stock and the close was 6 higher at 223p. Viking Resources improved to 56p after news that Sir Ron Brierley's IEP Securities intends to sell its 19.06 per cent shareholding to Avivar.

British Gas eased a fraction to 159½p on turnover of more than 8m shares, upset by criticism from the Office of Gas Supply (Ofgas) over British Gas' industrial gas pricing. Sentiment was also upset by a downgrade from BZW, which has lowered its forecasts for 1989 from £910m to £880m (on a historic basis) and from £625m to £600m (on a current cost basis).

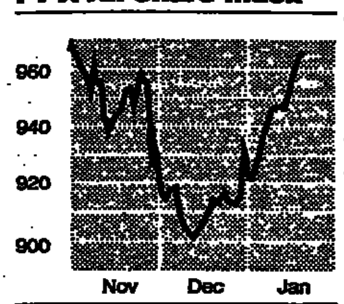
Both classes of BP shares gained ground after County NatWest re-iterated its buy stance on the stock. BP old edged up 3 to 259¾p on turnover of 4.1m, while the new were 2¼ firmer at 156½p, on turnover of 6.2m; the Government of Kuwait said yesterday it had reduced its stake from 21.58 per cent to 21.57 per cent. The Kuwait Investment Office agreed a couple of weeks ago to reduce its stake in BP from just below 22 per cent to 9.9 per cent.

Shell continued to advance in the wake of sustained buying interest from London and overseas.

Activity in traded options was lifted into above average activity by further heavy trading in the FT-SE 100 Index, and by dealings in a clutch of stocks with bid or reorganisation associations, in the market view. Overall turnover was 42,590 contracts, consisting of 31,245 calls and 11,345 puts. Index trading was again the leading feature, amounting to 10,826 matched contracts, lying in 5,356 calls and 5,470 puts.

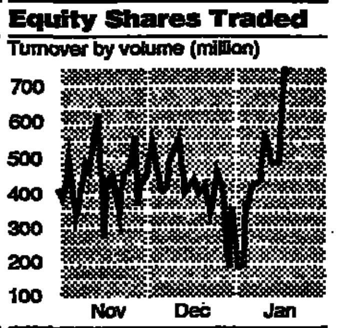
■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 24.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1988/89

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FINANCIAL TIMES STOCK INDICES

	Jan. 16	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	87.62	87.01	87.05	87.14	87.18	88.45	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.53	96.51	96.56	96.38	96.36	94.42	98.57 (25/5/88)	94.14 (9/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1525.1	1519.7	1511.9	1498.8	1503.5	1440.1	1525.1 (16/1/89)	1349.0 (9/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	185.4	183.9	183.8	183.1	184.2	283.4	312.5 (7/1/88)	180.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.80	4.81	4.84	4.88	4.87	4.33				
Earning Yld %(full)	12.07	12.10	12.15	12.26	12.22	10.86				
P/E Ratio(Net)(*)	10.02	9.99	9.94	9.86	9.89	11.30				
SEAQ Bargains(5pm)	29,612	34,623	28,073	28,294	29,333	29,870				
Equity Turnover(£m)†	-	1570.53	1631.68	1163.57	1229.32	991.43				
Equity Bargains†	-	37,737	31,547	28,009	31,766	31,655				
Shares Traded (ml)†	-	727.8	745.9	478.7	479.2	436.3				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1524.7	1528.2	1527.4	1527.5	1527.1	1527.2	1524.0	1523.8

DAY'S HIGH 1530.4 DAY'S LOW 1522.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 9.96 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jan 13	Jan 12
Gilt Edged Bargains	92.5	108.3
Equity Bargains	244.6	205.1
Equity Value	3174.1	2802.3
5-Day average		
Gilt Edged Bargains	99.2	99.6
Equity Bargains	210.0	183.8
Equity Value	2895.7	2711.1

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES

To UK residents by reporting institutions in the UK at November 30 1988 (table 5, Bank of England Quarterly Bulletin)§§

All banks (amounts outstanding) (sterling and other currencies) £m		Total to UK Residents	of which in sterling	Agriculture forestry & fishing	Oil and extraction of natural gas	Other energy industries	Water supply	Total	Extraction of minerals & ores	Metal manufacturing	Mineral products
Loans and advances											
1988	End-Aug	273,790		6,469	3,031	423	90	32,907	597	1,015	1,076
	End-Nov	289,509		6,467	2,851	581	98	35,428	659	1,145	1,000
Acceptances											
1988	End-Aug	14,908		65	161	84	10	5,575	71	180	166
	End-Nov	14,998		70	303	142	9	5,134	60	286	96
Total											
1988	End-Aug	288,698		6,534	3,192	506	100	38,482	669	1,195	1,242
	End-Nov	304,507		6,536	3,155	723	98	40,562	719	1,431	1,096
Of which in sterling											
1988	End-Aug	237,531		6,472	1,265	348	100	30,782	303	875	859
	End-Nov	251,046		6,457	1,339	517	98	31,111	338	1,021	785
Changes in total lending in sterling three months ended:											
1988	Aug*	15,300		287	42	-266	10	3,058	-96	49	16
	Nov†	13,515		-5	74	169	-2	349	36	146	-93
In other currencies (Adjusted for exchange rates effects)											
1988	Aug	944		3	-160	77	0	1,287	-30	-70	9
	Nov	6,723		13	45	64	1	2,472	46	121	-23
Group detail Total outstanding (Sterling and other currencies)											
Retail banks											
1988	End-Aug	148,015	141,066	6,125	853	183	39	19,919	289	595	564
	End-Nov	157,713	150,272	6,117	878	357	32	20,293	314	705	520

All banks (amounts outstanding) (sterling and other currencies)		Chemical industry	Mechanical engineering	Electrical & electronic engineering	Motor vehicles	Other transport equipment	Other engineering and metal goods	Food drink & tobacco	Textiles leather clothing and footwear	Other manufacturing
Loans and advances										
1988	End-Aug	1,823	2,281	3,318	807	1,526	2,218	8,100	2,282	7,864
	End-Nov	1,800	2,409	3,928	886	1,495	2,347	7,817	2,226	9,906
Acceptances										
1988	End-Aug	310	236	977	306	56	219	1,861	318	871
	End-Nov	294	194	667	374	90	180	1,893	273	926
Total										
1988	End-Aug	2,133	2,517	4,295	1,114	1,582	2,438	9,961	2,600	8,735
	End-Nov	2,094	2,603	4,596	1,260	1,585	2,527	9,310	2,500	10,833
Of which in sterling										
1988	End-Aug	1,723	2,033	3,558	930	1,402	1,979	8,245	2,229	6,627
	End-Nov	1,679	2,019	3,534	1,011	1,439	2,005	7,844	2,087	7,368
Changes in total lending in sterling three months ended:										
1988	May /Aug.	-93	145	360	-195	62	180	2,278	192	182
	Aug /Nov.	-44	-14	-24	81	37	26	-401	-142	741
In other currencies (Adjusted for exchange rates effects)										
1988	May /Aug.	-15	21	118	68	-7	84	636	35	438
	Aug /Nov.	40	146	403	93	-20	105	-118	75	1,605
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1988	End-Aug	1,078	1,439	2,513	362	1,157	1,589	4,737	1,570	4,057
	End-Nov	1,098	1,807	2,490	403	1,081	1,645	4,215	1,458	4,757

All banks (amounts outstanding) (sterling and other currencies)		Construction	Total	Retail motor trades	Other retail distribution	Wholesale distrib.	Hotels & catering	Air transport	Other transport	Postal services & telecommunications
Loans and advances										
1988	End-Aug	9,338	28,383	2,986	8,061	10,827	6,508	626	3,471	683
	End-Nov	0,364	29,878	3,031	8,799	10,972	7,076	691	3,589	907
Acceptances										
1988	End-Aug	324	2,765	147	1,164	1,331	123	0	100	62
	End-Nov	356	2,958	164	1,361	1,365	77	7	71	77
Total										
1988	End-Aug	9,882	31,148	3,133	9,225	12,159	6,631	626	3,571	725
	End-Nov	0,721	32,846	3,196	10,161	12,337	7,153	698	3,670	984
Of which in sterling										
1988	End-Aug	8,961	23,513	3,092	8,754	6,011	5,657	347	2,500	553
	End-Nov	9,810	25,409	3,167	9,892	6,349	6,201	342	2,603	688
Changes in total lending in sterling three months ended:										
1988	May /Aug.	612	98	249	-265	-184	300	-50	30	137
	Aug./Nov.	849	1,898	75	938	338	544	-5	103	115
In other currencies (Adjusted for exchange rates effects)										
1988	May /Aug.	156	408	-3	34	440	-64	-25	172	-15
	Aug./Nov.	279	435	-10	37	349	68	105	85	166
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1988	End-Aug	6,387	16,007	1,946	6,154	3,581	4,326	127	1,819	353
1988	End-Nov	7,087	17,127	2,011	6,764	3,832	4,519	164	1,843	440

All banks (amounts outstanding) (sterling and other currencies)		Total	Building societies	Investment and unit trust etc	Insurance companies pension funds etc	Leasing companies	Securities dealers stockbrkrs jobbers	Other financial §✦‡	Total	Central & local govt. services	Property companies	Hiring of movables	Other services §✦	House purchase	Other
Loans and advances															
1988	End-Aug	70,739	6,793	6,574	3,165	9,580	14,785	29,862	41,688	1,498	18,989	909	20,282	43,389	32,573
	End-Nov	75,258	6,792	6,784	3,252	10,112	15,234	33,07	45,080	1,654	21,153	997	21,376	44,898	33,621
Acceptances															
1988	End-Aug	4,891	1	42	52	1,180	9	3,627	871	1	32	70	768	-	-
	End-Nov	4,956	-	39	67	1,121	1	3,728	905	1	45	73	787	-	-
Total															
1988	End-Aug	75,630	6,794	6,616	3,217	10,720	14,794	33,490	42,559	1,499	19,031	979	21,050	43,389	32,573
	END-NOV	80,208	6,792	6,823	3,319	11,233	15,236	36,807	45,985	1,555	21,198	1,070	22,163	44,898	33,621
Of which in sterling															
1988	End-Aug	48,700	6,613	4,377	2,435	9,978	3,194	22,104	38,291	1,481	17,868	922	18,001	43,365	32,353
	End-Nov	53,113	6,612	4,801	2,494	10,465	3,785	24,956	41,514	1,518	19,973	992	19,030	44,668	33,398
Changes in total lending in sterling three months ended:															
1988	May /Aug	2,239	-272	256	58	557	-619	2,261	3,621	70	2,102	60	1,389	3,682	1,821
	Aug./Nov	2,913	-1	424	59	487	592	1,352	3,222	37	2,066	70	1,029	2,803	1,035
In other currencies (Adjusted for exchange rates effects)															
1988	May /Aug.	-1,423	52	-444	-38	80	292	-1,365	410	7	194	11	198	2	42
	Aug./Nov.	2,443	14	-39	111	89	819	1,448	574	21	182	26	345	8	32
Group detail Total Outstanding (Sterling & Other Currencies)															
Retail banks															
1988	End-Aug	14,298	747	3,606	1,175	2,909	1,647	4,211	21,983	441	8,601	436	12,505	35,718	24,206
	End-Nov	16,348	849	3,677	1,321	2,819	1,946	5,735	23,988	425	9,677	481	13,405	38,196	24,841

*Changes in the reporting population to August 1988 accounted for an increase of £85m (net) in total sterling lending: other currency lending was increased by some £22m.
†Changes in the reporting population to November 1988 accounted for a reduction of some £9m (net) in total sterling lending: other currency lending was increased by some £15m
§The bulk of the movements within the 'other financial' category during the three months to end-August 1988 were due to two factors: firstly, the restructuring of intra-group funding by one bank, which caused a switch in lending of some £0.8bn from the 'house purchase' to 'other financial'; secondly, the acquisition of a mortgage company by one bank from another caused a movement of some £0.9bn from the 'American' to the 'other overseas' bank groups.
✦Due to intra-group restructuring, the amounts outstanding in the 'house purchase' and 'other financial' categories have been affected. The main effects in the quarter to end-Novemeber 1988 were to increase the 'other financial' category by some £1.5bn in the 'retail' banks group, and to decrease the 'house purchase' category by some £1.5bn in the 'other British' banks group.
‡Changes in the arrangements for the financing of certain banks' consumer and leasing credit activities may lead to an increase in sterling lending over the three months from November 1 1988. In the quarter to end-November this probably increased sterling lending by some £0.3-0.4bn.

APPOINTMENTS

Bulmer chief executive

■ Mr John Rudgard has succeeded Mr Brian Nelson as group managing director and chief executive of H.P. BULMER HOLDINGS. Mr Rudgard was managing director of H.P. Bulmer Drinks.

■ LEGAL & GENERAL PROPERTY has appointed six directors to the board: Mr Richard Jessop becomes development director, Mr William Ogden is made property director, responsible for the managed and unitised funds. He is a director of Rush & Tomkins Property, and takes his new post on February 1. Mr Jeremy Edwards and Mr Bob Gyles become property directors, UK Life Fund. Mr John Raff has been appointed a business development director. Mr Tim Varley is made assistant director, project management.

■ Mr Keith Buckle has assumed responsibility for pension fund services at HAMBROS BANK following the retirement of Mr John Cumming who is taking up a new post with the British Merchant Banking and Securities Houses Association.

■ THROUGH TRANSPORT MUTUAL SERVICES has appointed as directors: Mr Jonathan Ignarski, Mr Paul Neagle, Mr Nicholas Sansom, and Mr John Nicholls.

■ Mr Joseph M. Sakach has been appointed senior managing director of GE PLASTICS EUROPE, Warrington, a subsidiary of General Electric Company of the US. He was vice president and general manager, plastics, at Borg-Warner Chemicals Inc., which was recently acquired by GE Plastics.

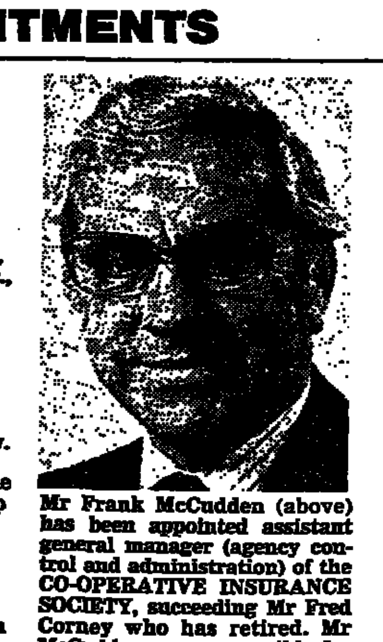
■ Mr Jim Stevenson has been appointed chief executive of the BRITISH CEMENT ASSOCIATION. He was managing director of Renshaw.

■ EBC AMRO BANK has made Mr Peter Barns-Graham group compliance director, and Mr David Hammond finance director. Mr Tony Clarkson, Mr Ian Davidson, Ms Marleen Groen, Mr Laurence Malden, Mr Terry Martin, and Mr John Nevill have been promoted to assistant director.

■ Following the acquisition of STAR OFFSHORE SERVICES by Salvesen Shipping Company (Bermuda) Mr R.H. Vestey has joined the board and been elected chairman. Mr W.G. Cochrane, chairman, and Mr M.J.K. Belmont and Mr W.B. Murphy, non-executive directors, have resigned.

■ Mr Les Godfrey, commercial manager, has been appointed to the board of ANTON DOMESTIC APPLIANCES.

■ Mr Donald W. Ford, chairman of TWIL, has been appointed a director of NATIONAL WESTMINSTER BANK's eastern advisory board.



Mr Frank McCudden (above) has been appointed assistant general manager (agency control and administration) of the CO-OPERATIVE INSURANCE SOCIETY, succeeding Mr Fred Corney who has retired. Mr McCudden was responsible for the CIS sales division covering eastern Scotland.

■ Mr Malcolm Wallace, a director of ASW HOLDINGS, has been appointed chairman of principal subsidiary, Allied Steel and Wire, of which Mr Paul Rich, also a director, has been appointed managing director. Mr Wallace retires in June 1990. Mr James Edie has been appointed managing director, ASW Construction Systems. He was a corporate director, new business development, Allied Steel and Wire.

■ STENA OFFSHORE has appointed Mr Tom Ehret as managing director, Mr Derek Leach as production director, and Mr Steve Davey as commercial development director. Mr Ehret and Mr Davey were with Comex Houlder, and Mr Leach was with Wharton Williams. Mr Denis Riordan, the present managing director, will assist Mr Ehret during the transition, and becomes director for international developments and drilling.

■ COMEX HOULDER has appointed Mr Bernard Vossier as acting managing director; Mr Hughes Horlin as general manager; Mr Ken Hulls as technical director; Mr Ray Tonge as marketing manager; and Mr Steve Vorley as contracts manager.

■ Mr Derek Roberts, formerly joint managing director of GEC, and still a non-executive director, and Mr Vincent Farrell Jr., a partner of Spears Benzak Salomon & Farrell, have been appointed non-executive directors of NEWMARKET VENTURE CAPITAL.

■ Mr Richard D.B. Gillespie, deputy chairman of Cementation Construction, a Trafalgar House company, has been appointed managing director designate of DARTFORD RIVER CROSSING. He will succeed Mr J.L. Carlile who is retiring in April.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	44.35	44.82	47.68	....	5.75
Gilts & Fixed Int	6	111.6	111.6xd	118.5	+0.5	8.44
High Inc Equity	6	117.0	119.2xd	127.4	+0.6	4.67
Worldwide Bond	6	188.8	188.8	200.1	+1.1	4.85
Capital Growth						
American Growth	6	150.5	151.50xd	162.0	+0.6	1.36
Asian Pacific	6	72.06	73.14xd	78.22	+0.96	1.38
Assets & Earnings	6	138.3	142.3	151.3	+0.9	2.64
Capital Reserve Acc	0	81.58	81.58	81.74	+0.40	4.89
Comdty & Energy	6	93.29	93.29	99.78	+0.90	0.00
1992 Enterprise	6	47.86	48.86	51.97	+0.57	3.46
European Capital	6	75.76	76.22	81.08	+0.25	0.93
General	6	155.9	158.8	168.9	+2.0	2.66
Japan	6	101.9	103.6	110.2	-0.1	0.00
Mastertrust	6	74.43	74.43	79.61	+0.40	1.86
UK Growth Acc	6	172.2	180.1	191.5	-0.9	1.39
UK Growth Dist	6	115.5	120.8	128.5	-0.6	2.07
US Emerging Cos	6	44.93	44.93	48.06	+0.43	0.00
Income & Growth	6	259.8	265.6	282.5	+2.4	3.36
Ethical	6	42.61	43.63	46.41	+0.11	2.69

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	41.38	41.38xd	44.02	+0.27	2.00
Australian	5¼	23.19	23.19	24.67	-0.08	1.31
European	5¼	50.43	50.43	53.65	+0.21	0.00
Extra Income	5	38.42	38.42xd	40.78	+0.15	4.89
Fund Inv Tst	5	103.6	103.6	110.1	-0.38	2.43
Do Accum	5	158.0	158.0	167.8	-0.40	2.43
Gilt & Fixed Int	5¼	21.81	21.81	23.21	-0.01	10.23
Global Income	5¼	36.09	36.09	38.40	+0.24	4.98
Income & Growth	5¼	64.87	64.87xd	69.01	+0.73	4.35

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	164.4	164.4	170.4	[illegible]	[illegible]

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5	57.22	58.70xd	62.35	[illegible]	[illegible]
(Accum Units)	5	58.04	59.60xd	63.24	[illegible]	[illegible]
Fellowship Tst	5	59.05	59.05	62.45	[illegible]	[illegible]
(Accum Units)	5	60.19	60.19	63.65	[illegible]	[illegible]
General Inc	5	262.6	262.6	285.5	[illegible]	[illegible]
(Accum Units)	5	436.9	436.9	474.9	[illegible]	[illegible]
Income	5	138.2	142.1	150.8	[illegible]	[illegible]
(Accum Units)	5	264.1	271.5	288.1	[illegible]	[illegible]
International	5	107.5	107.5	113.7	[illegible]	[illegible]
(Accum Units)	5	145.7	145.7	154.1	[illegible]	[illegible]
Smaller Co's	5	93.09	95.66	101.5	[illegible]	[illegible]
(Accum Units)	5	101.82	104.6	111.0	[illegible]	[illegible]
Inv Portfolio	2½	48.59	50.19	51.75	[illegible]	[illegible]

Burrage Unit Tst Mangmt Ltd (0905)H
117 Fenchurch St, London EC3M 5AL

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Six Del Gilt & FI	1¼	52.67	52.67	53.41	[illegible]	[illegible]

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	46.96	46.96xd	51.05	[illegible]	[illegible]
Global Tst	5½	38.30	38.30	41.12	[illegible]	[illegible]
Recovery Tst	5½	49.09	49.09	54.31	[illegible]	[illegible]

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	94.60	95.99xd	101.3	[illegible]	[illegible]

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	52.29	52.29	55.62	[illegible]	[illegible]
CS International	5	50.84	50.84	54.08	[illegible]	[illegible]
CS Japan	5	116.8	116.8xd	124.2	[illegible]	[illegible]
CS Portfolio Inv	5	59.65	59.65	63.45	[illegible]	[illegible]

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	5¼	49.20	49.40	52.55	+0.47	2.93
(Accum Units)	5¼	49.20	49.40	52.55	+0.47	2.93
Capital	5	101.9	102.0xd	108.5	+0.4	2.65
(Accum Units)	5	146.0	146.0	155.3	+0.5	2.65
European Growth	5	111.3	111.3xd	117.4	-0.2	1.08
(Accum Units)	5	136.5	136.5	144.0	-0.2	1.08
Extra High Inc	5¼	65.60	66.67xd	70.93	+0.25	7.20
(Accum Units)	5¼	87.69	89.13	94.82	+0.34	7.20
Gilt & Fxd Int	4	51.63	51.70xd	53.99	+0.26	8.43
(Accum Units)	4	99.49	99.58	104.0	+0.5	8.43
High Yield	5	189.2	191.3	203.5	+1.0	5.51
(Accum Units)	5	357.0	361.0	384.0	+1.9	5.51
Income	5	216.9	216.9	230.7	+1.4	3.92
(Accum Units)	5	380.6	380.7	405.0	+2.7	3.92
Intl High St UT	5¼	49.74	49.74	52.91	+0.3	2.25
(Accum Units)	5¼	50.56	50.57	53.80	+0.32	2.25
Japan & Pacific	5	347.7	347.7	368.7	-0.3	0.00
(Accum Units)	5	365.4	365.5	387.5	-0.4	0.00
Mandarin Tst	5¼	47.29	47.29	50.20	-0.4	0.97
(Accum Units)	5¼	47.29	47.29	50.20	-0.4	0.97
Mngd P'folio Acc	5¼	60.28	60.28	64.07	+0.26	2.16
Money Market UT	4	49.81	49.82	51.80	+0.05	9.97
North American	5	99.61	99.62xd	106.0	+0.6	1.05
(Accum Units)	5	122.5	122.5	130.3	+0.4	1.05
Smaller Cos	5	152.2	152.3	162.0	....	2.27
(Accum Units)	5	168.8	168.8	179.6	+1.2	2.27
Meridian Income	5¼	97.34	98.37	104.1	+0.3	5.18
(Accum Units)	5¼	99.16	100.3	106.1	+0.3	5.18
Meridian Growth	5¼	102.0	102.8	108.8	+0.8	2.42

Providence Capital Fd Mgrs Ltd
30 Uxbridge Road, London W12 8PG

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	6	76.42	76.42	82.00	[illegible]	[illegible]
Worldwide Acc	6	79.43	79.43	86.07	[illegible]	[illegible]
UK Equity Inc	6	68.76	68.76xd	74.86	[illegible]	[illegible]
UK Equity Acc	6	74.24	74.24xd	80.83	[illegible]	[illegible]
European Inc	6	91.94	91.94	99.29	[illegible]	[illegible]
European Acc	6	95.22	95.22	102.80	[illegible]	[illegible]
Nth American Inc	6	50.81	50.81	55.21	[illegible]	[illegible]
Nth American Acc	6	52.32	52.32	56.84	[illegible]	[illegible]
Japan Inc	6	110.90	110.90	119.50	[illegible]	[illegible]
Japan Acc	6	111.10	111.10	119.80	[illegible]	[illegible]
UK High Inc Eq Inc	6	62.05	62.05xd	67.68	[illegible]	[illegible]
UK High Inc Eq Acc	6	68.51	68.51xd	74.73	[illegible]	[illegible]
Hong Kong Inc	6	43.05	43.05	46.52	[illegible]	[illegible]
Hong Kong Acc	6	43.94	43.94	47.49	[illegible]	[illegible]
Swiss Equities Inc	6	31.98	31.98	34.62	[illegible]	[illegible]
Swiss Equities Acc	6	32.26	32.26	34.92	[illegible]	[illegible]
W'wide Bond Inc	6	51.30	51.30	54.87	[illegible]	[illegible]
W'wide Bond Acc	6	52.12	52.12	56.75	[illegible]	[illegible]
Emerging Asia Inc	6	54.24	54.24	58.68	[illegible]	[illegible]
Emerging Asia Acc	6	54.24	54.24	58.68	[illegible]	[illegible]

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA

Prudential Holborn Unit Tsts Ltd (1445)H

Scottish Provident Inv Mgt Ltd
6 St Andrew Sq, Edinburgh

Scottish Widows' Fund Mngmt (0845)H

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Wardley Unit Tst Mngrs Ltd (0900)H
99, Bishopsgate, London, EC2P 2LA. 01-374 0861

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♦	5¼	57.41	57.41	61.39	+0.38	1.8
Intl Growth	5¼	69.87	69.87	74.72	+0.06	0.4
Income ♦	5¼	116.1	118.2	126.5	+0.50	5.5
Japan Growth	5¼	203.4	206.5	220.9	-0.50	0.1
Pacific Perf	5¼	125.8	125.8	134.5	—	0.6
Small Co's ♦	5¼	137.9	137.9	147.4	+0.48	1.6
Technology	5¼	29.83	29.83	31.90	+0.13	0.1
Australia	5¼	60.74	60.74	64.96	-0.17	1.7
UK Trust ♦	5¼	162.8	162.8	174.1	+0.45	2.8
European Growth ♦	5¼	52.10	52.74	56.41	-0.29	0.1
Hong Kong ♦	5¼	32.58	32.58	34.84	+0.34	1.6
Intl Income	5¼	19.51	19.51	20.86	+0.04	8.0
S'pore & Mlyn Gth	5¼	23.95	23.95	25.61	+0.42	0.50
British Winners ♦	5¼	25.25	25.25	27.00	+0.02	2.6

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	5	17.07	17.07	18.15	+0.2	0.80
Pacific Basin	5	24.66	24.66	26.22	+0.15	0.60
Can Balanced Gwth ♦	5	44.56	44.56	47.40	+0.17	0.18
Glenie Nav ♦	4	0.9467	0.9467	0.9861	[illegible]	8.41
Penny Share	5¼	26.66	26.66	28.36	+0.17	0.50

Wellington Fund Mngrs Ltd (1200)F
2, London Bridge, SE1. 01-407 4404

Wellington Income	5¼	111.8	113.1	120.3	+0.4	4.96
Wellington Growth	5¼	176.4	178.4	189.8	+0.7	1.31

Wessex Asset Management (1330)F
1 Richmond Hill, Bournemouth BH2 6HW 0202 299492

Wessex UK Gwth	4½	96.94	100.08	104.08	+0.2	—

Whittingdale Unit Tst Mgmt Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Challenger ♦F	1¼	53.80	53.80	54.48	-0.05	0.00
Short Dtd Gilt ♥F	1¼	80.39	80.39	81.41	+0.06	8.90
U.S. Govmt Bond ♦F	0½	.5464	.5464	.5467	[illegible]	0.00

Withers Financial Services Ltd (0905)F
PO Box 515 Austin Friars, London EC2 01-588 7511

Aust Friars W'wide	5	153.5	154.7	164.5	—	0.21

Windsor Trust Mngrs Ltd (1000)F
83 Kingsway, London, WC2B 6SD 01-405 8331

Com'thl & Equity	5	59.09	61.46	65.39	+0.15	7.50
European	5	53.94	54.15xd	57.61	+0.09	2.67
Far Eastern	5	53.61	53.64	57.07	(z)	1.32
Growth	5	79.29	83.07	88.38	+0.74	1.97
Income	5	73.74	77.19	82.12	+0.40	4.54
Property Share	5	49.04	49.04xd	52.27	+0.20	1.67
Smaller Co's	5	51.82	55.20	58.73	+0.26	1.51
Formerly RBC Trust Managers Ltd						
RBC Select Cont Acc ♦	5	55.99	55.99	59.88	—	2.13
RBC Select Income ♦	5	61.75	61.75	66.05	—	5.81
RBC Select Inc Acc ♦	5	66.27	66.27	70.88	—	5.81
RBC Select N Amer ♦	5	47.34	47.34	50.54	—	2.03
RBC Select Intl ♦	5	39.08	39.08	41.79	—	0.58

Wright Seligman Fund Mngrs Ltd (1000)H
11 Bloomfield St, London EC2M 7AY 01-588 0592

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OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

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Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

Unitised Pensions				
With Profits Fd	110.46	116.27	+0.12	–
Managed Fd	120.72	127.08	+0.84	–
UK Equity Fd	121.90	128.32	+1.39	–
International Fd	127.48	134.19	+0.67	–
European Fd	118.94	125.20	-0.76	–
North American Fd	117.41	123.59	+1.52	–
Pacific Fd	126.33	132.97	-1.11	–
Property Fd	125.77	132.39	-0.02	–
Fixed Int Fd	101.69	107.04	+0.17	–
Intl Bond Fd	104.94	110.47	+0.48	–
Bldg Soc Dep Fd	104.99	110.51	+0.03	–
Pensinvestor & Unit-Linked Plan				
Fixed Interest Fund	286.5	301.5	+2.7	–
Index-Linked Sec Fund	155.2	163.3	+1.7	–
Ordinary Share Fund	469.8	494.5	+12.9	–
International Fund	136.3	143.5	+4.4	–
Property Fund	213.4	224.6	+0.2	–
Deposit Fund	188.0	197.9	-0.4	–
Mixed Fund	328.4	345.7	+7.5	–
Norwich Units January 15		820.0	——	–

*Prices as at January 10

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)	179.5	189.0	–	–
Prop Acc. (Gross)	302.4	318.4	+0.1	–
Equity (Gross)	665.1	700.1	-4.1	–
Managed (Gross)	487.3	513.0	+2.4	–
Prop. Acc. (Net)	139.9	147.3	–	–
Equity (Net)	157.0	165.3	+0.7	–
Managed (Net)	149.9	157.8	+0.5	–
Internat'nal (net)	135.3	142.4	+0.4	–
Gilt & Fxd Interest	101.9	107.3	-0.4	–
Money Fund	103.2	108.6	–	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	466.0	490.6	+2.5	–
Ret Man (Series 2)	158.0	166.4	+0.8	–
Ret Man (Series 3)	104.2	104.2	+0.5	–
Ret Cash	129.3	136.2	+0.2	–
Ret Cash (Series 3)	106.2	106.2	+0.1	–

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assd	397.7	418.7	+5.1	–
Eb'r Ph. Eq.	326.8	347.6	——	–
Pension Plan Funds				
Phoenix				
UK Equity Acc	173.7	182.8	+1.2	–
International Acc	145.7	153.3	+0.6	–
Property Acc	158.5	166.8	——	–
Fixed Interest Acc	159.8	168.2	+1.2	–
Money Acc	148.8	156.6	——	–
Bldg. Soc. Link Acc	146.1	153.7	+0.1	–
Special Mnged. Acc. Q	157.7	165.9	+0.8	–
Phoenix/Framlington				
Intnl. Growth Acc	87.80	92.40	+0.40	–
Am. Smllr. Cos. Acc	87.80	92.40	+0.40	–
Capital Tst. Acc	170.8	179.7	+1.1	–
Japan & Gen Acc	215.5	226.8	+0.3	–
American Turn. Acc	98.90	104.1	+0.4	–
Recovery Tst. Acc	188.6	198.5	+1.3	–
Special Mngd Acc	154.9	163.0	+0.8	–
Phoenix/GT				
International Acc	142.1	149.5	-0.5	–
US & General Acc	87.80	92.40	-0.30	–
Amer Spec Sits Acc	66.30	69.70	——	–
Japan & General Acc	204.5	215.2	-0.5	–
Far East & Gen. Acc	154.6	162.7	+0.2	–
UK Capital Acc	192.0	202.1	+2.3	–
European Acc	170.9	179.8	+0.5	–
Special Mngd. Acc	137.3	144.5	+0.8	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	256.8	270.4	——	–
Max Pens Inc & Cap Fds	323.9	341.0	——	–
Money Fund	116.3	122.5	——	–
Pens Mngd Fd (Unit)	86.4	91.0	——	–
Pens Mngd Fd (Acc)	102.2	107.6	——	–
Pens FT30 Fd (Unit)	127.2	133.9	——	–
Pens FT30 Fd (Acc)	150.4	158.4	——	–
Pens O'seas MgFd(Unit)	62.3	65.6	——	–
Pens O'seas MgFd(Acc)	73.7	77.6	——	–
Pens Fxd Int Fd (Unit)	103.3	108.8	——	–
Pens Fxd Int Fd (Acc)	122.1	128.6	——	–
Pens Deposit Fd (Unit)	102.8	108.3	——	–
Pens Deposit Fd (Acc)	121.5	127.9	——	–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	109.0	115.0	+2.0	–
Building Soc. Fd	167.0	176.0	——	–
Balanced	254.0	268.0	+1.0	–
Deposit	166.0	175.0	——	–
European	144.0	152.0	-1.0	–
GT Managed	162	171.0	——	–
Gartmore Mngd	106.0	112.0	——	–
German	102.0	108.0	-1.0	–
Gilt	167.0	176.0	——	–
Global	47.0	50.0	——	–
High Inc.	106.0	112.0	——	–
International Equity	167.0	176.0	——	–
Japan	226.0	238.0	+1.0	–
Managed	57.0	60.0	——	–
Property	272.0	287.0	——	–
R. W. Imperial Gold	122.0	129.0	——	–
UK Equity	325.0	343.0	+5.0	–
Pension Funds				

[illegible]

Prolific Life & Pensions Ltd

[illegible]

Property Equity & Life Ass. Co

[illegible]

Property Growth Assur Co Ltd

[illegible]

Providence Capital Life Assc. Co Ltd

[illegible]

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

Unit Fund	922.2	968.3	+7.1	–
Equity Fund	204.8	215.0	+2.5	–
International Fd	140.0	147.0	+0.5	–
Fixed Interest Fd	151.5	159.1	+0.1	–
Property Fund	209.6	220.1	.....	–
Index-Linked Fund	132.4	139.0	-0.1	–
Deposit Fund	132.7	139.3	+0.1	–
Pens. Mixed (Ord) Fd	214.6	225.3	+1.6	–
Gold Pensions				
Discretionary Fund		104.2	+0.8	–
Equity Fund		100.4	+1.2	–
Fixed Interest Fund		104.8	-0.2	–
International Fund		104.9	+0.4	–
Property Fund		126.8	.....	–
Index-Linked Fund		108.4	-0.1	–
Deposit Fund		105.2	+0.1	–
S & F Consolidation		102.7	+0.1	–
S & F Balanced		102.9	+0.4	–
S & F Maximum Growth		94.4	+0.7	–

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

Managed Ord	298.2	313.9	(z)	–
Managed Init	243.1	255.9	(z)	–
Equity Ord	409.2	430.7	(z)	–
Equity Init	333.7	351.3	(z)	–
Index Linked Gilt Ord	131.2	138.1	(z)	–
Index Linked Gilt Init	111.7	117.6	(z)	–
Overseas Equity Ord	273.7	288.1	(z)	–
Overseas Equity Init	223.2	234.9	(z)	–
Property Ord	189.7	199.7	(z)	–
Property Init	154.7	162.8	(z)	–
Fixed Interest Ord	173.2	182.3	(z)	–
Fixed Interest Init	141.2	148.6	(z)	–
Deposit Ord	139.2	146.5	(z)	–
Deposit Init	113.5	119.5	(z)	–
Pension Funds				
Managed Ord	361.9	380.9	(z)	–
Managed Init	295.1	310.6	(z)	–
Equity Ord	514.0	541.1	(z)	–
Equity Init	419.2	441.3	(z)	–
Pen Ind Lkd Gilt Ord	142.0	149.5	(z)	–
Pen Ind Lkd Gilt Init	121.0	127.4	(z)	–
Overseas Equity Ord	312.9	329.4	(z)	–
Overseas Equity Init	255.2	268.6	(z)	–
Property Ord	226.2	238.1	(z)	–
Property Init	184.5	194.2	(z)	–
Fixed Interest Ord	199.0	209.5	(z)	–
Fixed Interest Init	162.3	170.8	(z)	–
Deposit Ord	176.4	185.7	(z)	–
Deposit Init	143.8	151.4	(z)	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prudfund				
Managed Jan 11	214.0	223.0	.....	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Holborn Series I Life Funds				
Managed	459.0	483.2	+3.0	–
Equity	908.7	956.6	+6.7	–
Fixed Interest	373.4	393.1	-0.5	–
Property	365.6	384.9	——	–
Cash	251.2	264.5	——	–
International	328.2	345.5	+3.3	–
Holborn Series II Life Funds				
Managed	450.5	474.3	+3.0	–
Equity	889.7	936.6	+6.5	–
International	322.2	339.2	+3.2	–
Fixed Intl	364.3	383.5	-0.5	–
Property	356.8	375.6	——	–
Cash	245.4	258.4	——	–
Pacific Basin	193.9	204.2	+1.7	–
North American	126.0	132.7	+2.5	–
European	134.9	142.0	+0.4	–
Holborn Balanced Gwth	103.6	109.1	+0.4	–
Holborn Strategic Gwth	103.7	109.2	+0.4	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	492.4	518.4	+3.1	–
Equity	691.1	727.5	+5.6	–
Global Equity	207.2	218.2	+1.8	–
Fixed Interest	388.3	408.8	-0.3	–
Property	365.3	384.6	——	–
Cash	148.7	156.6	——	–
Index Linked Gilt	184.2	193.9	.....	–
Guaranteed	11.87	12.62	(z)	–
International Money	190.0	200.0	-0.7	–
North American	55.7	58.7	+0.3	–
Japanese	136.3	143.5	+0.7	–
European	75.6	79.6	-0.1	–
Special Situations	102.1	107.5	+0.4	–
Communications	83.3	87.7	+0.3	–
Smaller Companies	96.3	101.4	+0.8	–
International Small Cos	108.2	113.9	+0.5	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretionary Jan 11	£134.50	139.01	.....	–

[illegible]

Regency Life Assurance Co Ltd

[illegible]

Reliance Mutual

[illegible]

Royal Heritage Life Assurance Ltd

[illegible]

Royal Heritage Life Assurance Ltd – Contd.

[illegible]

Royal Life Insurance Ltd

[illegible]

Royal Liver Assurance

[illegible]

Save & Prosper Group (z)

[illegible]

Scottish Amicable

[illegible]

Scottish Equitable Life Assce. Soc.

[illegible]

Scottish Life Investments

[illegible]

Scottish Mutual Assurance Society

[illegible]

Scottish Mutual Investments

[illegible]

Scottish Provident Institution

[illegible]

Scottish Widows' Group

[illegible]

Shield Assurance Co Ltd

[illegible]

Skandia Life Assurance Co Ltd (z)

[illegible]

Skandia Life Assurance Co Ltd – Contd.

[illegible]

Standard Life Assurance Company

[illegible]

Sun Alliance Insurance Group

[illegible]

Sun Life of Canada (UK) Ltd

[illegible]

Sun Life Unit Assurance Ltd

[illegible]

Sun Life Unit Assurance Ltd–Contd.

[illegible]

Swiss Life Pensions Ltd

[illegible]

TSB Life Ltd

[illegible]

Target Life Assurance Co Ltd

[illegible]

Teachers' Assurance Company Ltd

[illegible]

Tunbridge Wells Equitable

[illegible]

UK Life Assurance Co Ltd

[illegible]

Wesleyan & General Assurance Soc

[illegible]

Windsor Life Assur Co Ltd

[illegible]

Zurich Life Assurance Co Ltd

[illegible]

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd

[illegible]

The Analysis Group PLC

[illegible]

Atlas Financial Services Ltd

[illegible]

Blackstone Franks Plc

[illegible]

Bryan Wells & Partners Ltd

[illegible]

Cameron Lee & Company Ltd

[illegible]

James Campbell & Son Financial Services

[illegible]

Chase de Vere PLC

[illegible]

Clifton Financial Management Ltd

[illegible]

Drummond Moore Plc

[illegible]

First Financial Services PLC

[illegible]

The Fitzgerald Group

[illegible]

Gartmore Fund Managers Ltd

[illegible]

Hinton Hill (L. & P.) Ltd

[illegible]

Huntingdon Financial Services (CY) Ltd

[illegible]

Investment Portfolio Services Ltd

[illegible]

Johnson Fry Financial Services Ltd

[illegible]

Knight Williams & Company Ltd

[illegible]

Lamont & Partners Plc

[illegible]

M. & E. Financial Management Plc

[illegible]

The Manchester Group

[illegible]

Noble Lowndes & Partners Ltd

[illegible]

O'Halloran & Co/Countrywide

[illegible]

PBR Fund Management Ltd

[illegible]

The Parchester Group

[illegible]

Rushbrook Financial Management Ltd

[illegible]

Sharp (Albert E.) & Co

[illegible]

Stacie Fund Managers Limited

[illegible]

Tattersall Investment Mgmt. Ltd

[illegible]

Towry Law & Co

[illegible]

Trinity Financial Management

[illegible]

Universal Medical General Ltd

[illegible]

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

Target Mngd Bond	184.3	194.1	+0.1	–
Target Mngd Pension	111.6	117.5	+0.1	–
Albany Life Acc	164.9	173.6	——	–
Albany Pens Acc	200.3	211.0	+0.2	–

Yorkshire & Lancashire Investment Mgt.
Sarbitee House, Clitheroe, BB7 2JA 0200 28066

High Inc Bd (P Cap)		101.8	——	–
Growth & Income (HI)	160.5	169.0	——	–
Global Managed (Sctr 1)	154.5	162.6	——	–
Ultra Bond (Ray. H)	146.9	154.7	——	–
Pension Fund (Ray. H)	122.4	128.9	——	–

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

Framlington Overseas Fund Mngt Ltd
PO Box 255, 18-20 The Pollet, Guernsey 0481 710651

Far East Fund(Wed)		£1.1725	1.2608		–	–
Income & Growth (Thur)		£0.6865	0.7303		–	1.92
Managed Portfolio		£0.6568	0.6914		+0.0058	–

John Govett Mngmnt International Ltd
PO Box 208, St Peter Port, Guernsey CI 0481 26268

Govett Int'l Mngd	7½	£0.796	0.796	0.860	–	–
Govett High Inc Gilt	3	£0.395	0.395	0.420	+0.02	12.38
Govett Far East Inv	6½	£0.914	0.914	0.977	-0.01	–
Energy & Resources	6½	£0.664	0.664	0.710	–	–

Grofund Invest Managers (Guernsey) Ltd
PO Box 86, Guernsey, CI 0481 26521

Grofund International	5	£2.588	2.588	2.751	–	0.55
Do. £ equiv	5	£1.429	1.429	1.537	–	–

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 188, St Peter Port, Guernsey 0481 23506

Guinness Flight International Accum Fund (Daily)						
US Dollar Money		$–	29.208		+0.01	8.658
Sterling Money		£–	16.634		–	11.58
Yen Money		Y–	6241.82		+0.72	4.125
Deutschemark Money		DM–	60.411		+0.01	4.951
Swiss Franc Money		SFr–	45.720		–	4.231

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Hill Schroder Financial Mngd Intl Ltd

[illegible]

IoM AUTHORISED

Allied Dunbar International Fund Mgrs.

[illegible]

Knight Williams & Company Ltd

[illegible]

EBC Trust Company (Jersey) Ltd
1-3 Seale St, St Helier, Jersey 0534 36331

EBC Amro Trading Currency Fund Ltd*					
Income	3	£14.20	14.20	14.636	–
Capital	3	£19.48	19.48	20.085	–

*Offer price includes 3% prelim. charge

EBC Amro Currency Income Fund*					
Income	5	£9.59	9.59	10.0001	–

*Offer price includes 5% prelim. charge

Foreign & Colonial Mngmt (Jersey) Ltd
PO Box 455, 7-11 Britannia Place, Bath Street, St. Helier, Jersey 0534 58044

A-US$ Cash	$–	10.95	+0.03	9.00
B-Multicurrency Cash	$–	14.84	-0.31	7.50
X-Cash	£–	10.56	–	12.50
C-US$ Bonds	$–	12.55	+0.02	9.00
D-Multic'ncy Bonds	$–	17.31	-0.28	8.00
E-Sterling Bonds	£–	11.39	+0.05	10.00
F-D Mark Bonds	DM–	10.60	-0.03	6.00
G-Yen Bonds	Y–	1113	-2	4.50
H-Ecu Bonds	Ecu–	10.79	-0.10	7.50
L-UK Equities	£–	9.85	+0.04	11.50
M-US Equities	$–	13.50	+0.05	7.00
N-Japanese Equities	Y–	1,398	–	2.50
O-Global Equities	$–	12.79	-0.01	7.00
V-Velocity	$–	9.89	+0.01	10.00
Z-Gold	$–	9.01	-0.05	8.00

Hill Samuel Fund Mngrs (Jersey) Ltd
Jersey, PO Box 63 Telex 4192274 Tel 0534 76029

Fixed Int (£ Bond)	5	£1.209	1.209	1.279	–	9.78
Intnl. Bond Fund						
Sterling Managed	5	£10.28	10.28	10.96	+0.01	7.62
US Dollar Managed	5	$12.79	12.79	13.64	+0.05	7.46
Intnl. Currency Fund						
Sterling Managed	5	£20.98	20.98	22.09	+0.03	–
US Dollar Managed	5	$25.12	25.12	26.45	-0.03	–
Sterling		£18.47	18.47		+0.01	–
US Dollar		$32.29	32.29		+0.02	–
Deutschemark		DM51.58	51.58		+0.01	–
Japanese Yen		Y4329	4329		+1	–
Swiss Franc		SFr40.35	40.35		+0.01	–

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561

Lloyds Tst. Gilt		–	9.86	9.87	.....	11.07

Dealing weekly on Wednesday

MIM Britannia International Limited
PO Box 271, MIM Britannia Hse, Granville St, St Helier, Jersey CI 0534 73114

[illegible]

Prudential Intl Financial Services Ltd

[illegible]

Quilter International Management Ltd

[illegible]

Rothschild Asset Management

[illegible]

Royal Bank of Canada Funds

[illegible]

Touche Remnant (Guernsey) Limited

[illegible]

JERSEY AUTHORISED

Capital House Fund Mngrs. (C.I.) Ltd

[illegible]

Citibank (CI) Ltd "Citifunds"

[illegible]

Save & Prosper International

[illegible]

TSB Trust Funds (CI)

[illegible]

Warburg Investment Management Jersey Ltd

[illegible]

Barclays Intl Funds

[illegible]

Equity & Law International Fund Mgrs Ltd

[illegible]

Tyndall International Gilt & Mngd Ltd

[illegible]

BERMUDA AUTHORISED

GT Management Plc

[illegible]

OFFSHORE INSURANCES

Albany International Assurance Ltd

[illegible]

CMI Insurance Co Ltd

[illegible]

Eagle Star International

[illegible]

Equity & Law Intl Life Assce Co Ltd

[illegible]

Guardian Assurance Group

[illegible]

Finance International Ltd

[illegible]

Hansard International Ltd.

[illegible]

Isle of Man Assurance Ltd

[illegible]

NM Schroder Life Assurance Intl Ltd

[illegible]

Premium Life International Ltd

[illegible]

Providence Capital International Ltd

[illegible]

Royal Life Intl. Ltd

[illegible]

Royal Skandia Life Assurance Ltd

[illegible]

Sun Alliance International Life

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99	Treas 11½pc 1989	99¾xd	+	11.51	12.61
101	98	Treas 9½pc Cnv 1989	99	.....	9.58	12.62
97	95	Treas 3pc 1989	97	+	3.07	10.28
102	98	Treas 10½pc 1989	99	+	10.58	12.44
102	98	Exch.10pc 1989	98xd	+	10.11	12.36
103	98	Exch 11pc 1989	99	+	11.09	12.14
97	94	Treas 5pc 1986-89	96	+	5.21	10.68
104	98	Exch 10¼pcCv '89	99	+	10.31	11.02
107½	101	Treas 13pc 1990‡‡	101xd	+	12.82	11.43
104	99	Exch 11pc 1990‡‡	99xd	+	11.04	11.41
107	100	Exch. 12½pc 1990	101	+	12.35	11.34
93	90	Treas. 3pc 1990	91	+	3.27	9.96
99	95	Treas 8¼pc 1987-90‡‡	96	+	8.58	11.25
102	95	Treas. 8pc Cv 1990 ‡‡	97xd	+	8.24	10.14
103	97¼	Treas. 10pcCv 1990	98	+	10.17	11.03
91	87	Exch 2½pc 1990	88	+	2.83	9.47
107	100	Treas 11¾pc 1991	101	+	11.59	10.96
95	89	Funding 5¾pc '87-91‡‡	90	+	6.35	10.64
90	86	Treas. 3pc 1991	86	.....	3.46	9.54
105	97	Treas 10pc Cv '91 ‡‡	99	+	10.10	10.45
107	98	Exch. 11pc 1991	100	+	10.93	10.72
98	91	Treas. 8pc 1991	93	+	8.56	10.65
113	103	Treas 12¾pc 1992‡‡	105xd	+	12.05	10.45
104	96	Treas 10pc 1992	98xd	+	10.12	10.48
98	91¼	Treas. 8pc 1992‡‡	93	+	8.58	10.50
106	98	Treas 10½pc Cv 1992‡‡	100	+	10.49	10.45
86	81	Treas. 3pc 1992	83	+	3.61	8.90
112	102	Exch. 12¼pc '92	105	+	11.66	10.50
117	106	Exch 13½pc 1992	109	+	12.37	10.43
97	91	Treas 8¾pc 1993	93	+	8.83	10.26
105	96	Treas 10pc 1993‡‡	99	+	10.08	10.21

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
154p	44p	♥Unilab	137p	−2	–	–	–
24½	17⅞	Utd. Technologies	23½	+⅛	$1.60	–	3.7
163p	27p	♥Utilitech Inc	146p	−4	–	–	–
34⅝	26¼	US West‖	32⅝	−⅛	$3.52	–	6.0
24⅞	16⅞	Waste Management $1	23¼	+⅛	48c	–	1.1
16¾	12⅞	Whirlpool $1	14½	+¼	$1.10	–	4.2
20⅝	15¾	Whitman Corp	19⅞	.....	96c	–	2.8
33¼	18¼	♥Woolworth $3½	30¼	−¼	$1.64	–	3.0

CANADIANS

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	134p	♥ABM Gold Corp ‖	136p	+1	–	–	–
32p	4½p	♥Abbot Energy Corp	4½p	+¼	–	–	–
14¼	882p	♥Amer. Barrick Res.	10¼	.....	–	–	–
10p	2½p	♥Amer. Lightwave ‖	2½p	.....	–	–	–
47p	7½p	♥Armeno	15½p	+1½	–	–	–
76p	24p	♥Augmitto Expln	33p	.....	–	–	–
14⅞	10⅝	Bk. Montreal ‖	13⅛	+⅛	$2.00	–	6.6
769p	514p	Bk. Nova Scot.‖	674p	+10	84c	–	5.7
18¼	15¼	BCE ‖	17⅝	+⅛	$2.44	–	6.3
716p	527p	♥Bow Valley‖	656p	+27	♦40c	–	2.8

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
460	200	♦Miss World 10p.	453	+10	8.0	2.6	2.4	22.1
62	32	♦Multiwave Vision 50p.	37	+1	—	—	—	21.3
155	120	Noble Raredon 5p.	137	.....	†1.33	1.5	1.3	67.7
169	87	Orient Ex Hlds $0.125	128	.....	—	—	—	—
*89	61	Owners Abroad 3p.	79	.....	g2.1	1.9	3.6	23.7
180	108	Pavilion Leisure 10p.	112½	.....	—	—	—	—
231	59	♦P'dilly Radio NV 5p.	231	+59	3.25	♦	1.9	♦
264	175	Pickwick	229	.....	12.6	2.9	1.5	29.8
*262	147	Pleasurama 5p.	240	+3	♦16.0	2.4	3.3	14.2
*233	135	Do. 7pcCvCnRedPf	214	+3	7%	—	4.3	—
150	113	Prestwich	119	−1	1.25	7.5	1.4	12.7
142	78	♦Prism Leisure 10p.	142	+1	4.48	2.5	4.2	12.0
*254	122	Quadrant Group 10p.	216	+4	F3.6	3.4	2.2	18.4
380	97	♦Radio City 'A' NV	377	+32	6.0	4.2	—	14.9
276	89	♦Radio Clyde	261	+11	5.75	2.9	2.9	15.8
610	494½	Really Useful Grp 5p.	568	+5	15.0	2.5	3.6	16.5
239	169	Saga Group 20p.	229	.....	14.6	1.7	2.7	39.4
110	78	Scott. Ice Rink 2½p.	84	.....	—	—	—	—
434	345	Scott. TV 10p.	374	+2	‡17.0	3.0	—	7.4
16	10	♦SelecTV 10p.	16	+1	—	—	—	—
63	26	♦Spectrum 5p.	32	+1	—	—	—	24.8
292	197	Stanley Leisure	278	+1	3.6	3.8	1.8	19.6
186	85	♦Sunset & Vine 5p.	185	+24	L2.4	2.9	1.7	23.1
74	62	TSW 5p.	66	.....	3.15	2.6	6.4	8.1
179	129	♦TV-am 5p.	146	+1	†4.5	3.6	4.1	9.0
362	286	TVS Entertain 10p.	290	+2	13.25	♦	6.3	♦
109	96	Do. 7.4pc Prf.	98	+1	7.4%	—	10.1	—
416	302	Thames TV	372	+2	†13.2	3.0	4.7	9.3
133	95	Tottenham Hotspur	126	+1	5.0	1.4	5.3	17.1
*87	58	♦Trillion 10p.	59xr	+1	g1.1	3.5	2.6	12.4
372	254	Tyne Tees 50p.	358	+9	†13.75	2.8	5.1	9.2
94	64	Ulster TV	94	+1	4.75	2.8	6.7	7.1
155	77	Wembley 5p.	115	.....	1.1	0.1	1.3	—
88	36	♦Williams (Rex) 5p.	48	+1	‡0.62	1.6	‡	40.0
52	43	Woodington	47	−1	—	—	—	—
246	168	Yorkshire TV	229	.....	9.6	♦	5.8	♦
153	90	Zetters Grp 5p.	142xd	+3½	6.0	1.8	5.6	12.8

MOTORS, AIRCRAFT TRADES

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
249	164	General Motors	249	+3	Q25c	—	5.6	—
350	237	Jaguar	279	+1	10.5	2.1	5.0	11.2
127	50	♦March Group 5p.	58	−1	‡4.2	2.1	‡	5.4
*47	28	♦Reliant Motor 10p.	38	+1	0.5	3.9	1.8	14.5
£37¾	£25¼	Volvo Kr25	£37¾	+⅛	Q42%	2.8	2.5	14.3

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
380	221	Ranger Oil	313	−4	—	—	—	—
£67¾	£59¼	Royal Dutch Fl.10	£66½	+½	Q28.8%	1.8	5.4	9.7
59	6½	Sandpiper Oil	11½	+½	—	—	—	—
211	134	♦Santos A0.25c	172	+2	bQ17.3c	4.1	5.0	4.8
217	133	♦Sceptre Res	170	+1	—	—	—	—
392	319	Shell Trans. Reg.	354	+7	†h16.0	1.6	6.0	12.0
76	66	Do. 7pcPf. £1	67	−1	4.9%	x	9.8	—
340	163	Sildoiene	331	+1	†9.0	4.1	3.6	9.0
25	10½	♦Southwest Res. 40p	11	+½	♦	—	—	10.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
7	1½	♦Swan Res 20c	3	.....	—	—	—
12	3	♦West Coast 25c	4	.....	—	—	—
315	160	Westn. Mining 50c	243	−5	Q20c	♦	4.0
145	65	♦Whim Creek 10c	92	+1	Q11c	16.4	6.9

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p.	68	+1
Craig & Rose £1	710	.....
Finlay Pkg. 5p.	85	−1
Holt (Jos) 25p.	1210	+12

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£99½	.....
9pc Cap Ln. 1996	£103¼	−¼
Fin. 13% 97/02	£124¼	.....
Arnotts	385	+5
Carrol (P.J.)	146xd	+4½
For Grafton Group see Industrials (Misc)		
Hall (R. & H.)	160	+7
Helton Hldgs.	64	.....
Irish Ropes	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	72
GEC	15
Glaxo	98
Grand Met	38
GUS 'A'	98
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	65
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	45
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £965 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar keeps its appeal

PUBLIC HOLIDAYS in the US and Japan reduced trading volume on the foreign exchanges yesterday, but did not stop the dollar advancing. New York banks were closed for Martin Luther King Day.

Sterling maintained a strong undertone, rising to its highest level against the D-Mark since July 1986.

Fear of central bank intervention to cap the dollar subsided, following Friday's comments by Mr Gerhard Stoltenberg, the West German Finance Minister, even though his words appeared to be at variance with the views of other West German officials.

Mr Stoltenberg indicated that the Group of Seven were content with the present value of the dollar. He added that Mr George Bush, US President-elect, can be expected to reduce the US budget deficit, and that from a domestic point of view there is no need for the Bundesbank to tighten monetary policy.

This produced a sharp upward move by the US currency in New York on Friday. Yesterday's closure of Tokyo, for a public holiday, left trading in the Far East quiet and featureless.

When Europe opened the dollar was quickly pushed above DM1.8500 and headed up towards DM1.8600, before remarks by Mr Claus Koehler, a member of the Bundesbank council, led to profit taking. Mr Koehler was reported to have said :"One cannot be satisfied about the D-Mark's depreciation, and the dollar's rise, either from a national or international economic perspective."

The Bundesbank sold a small amount of dollars at the Frankfurt fixing yesterday, but was not seen on the open market. If central banks remain out of the market, dealers can see the dollar advancing to DM1.88, although at that level it may be vulnerable to a sudden downward correction.

There is some concern that a reversal in the dollar's fortunes could follow tomorrow's US trade figures, although these will have to be very bad to counter high US interest rates and optimism ahead of Friday's inauguration of Mr Bush as US President. Forecasts suggest that on a customs imports basis the US trade deficit in November widened to about $9.5bn, from $8.9bn in October.

At last night's close in London the dollar had advanced to DM1.8580 from DM1.8320; to Y128.20 from Y126.65; to SFr1.5845 from SFr1.5615; and to FFr6.3300 from FFr6.2450.

On Bank of England figures, the dollar's exchange rate index rose to 67.3 from 66.5.

Sterling fell against the strong dollar, but continued to advance elsewhere, rising to a 2¼-year high of DM3.2700, from DM3.2600 on Friday. A surprising fall in December UK retail sales appeared to reduce the risk of higher bank base rates, but dealers do not expect any reduction in UK interest rates this side of the Budget on March 14. The pound fell 2 cents to $1.7600, but rose to Y225.75 from Y225.50; to SFr2.7875 from SFr2.7800; and to FFr11.1400 from FFr11.1150. According to the Bank of England the dollar's index closed unchanged at 98.1.

£ IN NEW YORK

Jan.16	Latest	Previous Close
£ Spot	1.7745-1.7755	1.7650-1.7660
1 month	0.60-0.58pm	0.59-0.58pm
3 months	1.68-1.64pm	1.61-1.58pm
12 months	5.25-5.15pm	4.80-4.70pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6723	+2.86	+0.84	±1.5344
Danish Krone	7.85212	8.06928	+2.77	+0.75	±1.5404
German D-Mark	2.05853	2.08572	+1.32	-0.70	±1.0981
French Franc	6.90403	7.10890	+2.97	+0.95	±1.3674
Dutch Guilder	2.31943	2.35370	+1.48	-0.54	±1.5012
Irish Punt	0.768411	0.780023	+1.51	-0.51	±1.6684
Italian Lira	1483.58	1528.50	+3.03	+1.78	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7580-1.7700	1.7595-1.7605	0.63-0.60cpm	4.19	1.58-1.53pm	3.53

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

Correction for Jan 13.Mexico £ 4073.35-4093.55 *Selling rate‡Rates not available. Banks in Brazil are closed pending possible devaluation as part of economic package.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices firm on retail sales

SHORT STERLING prices broke through resistance levels in Liffe trading yesterday, encouraged by a drop in December retail sales. The March sterling contract opened at 87.15 and moved through 87.18 to touch a high of 87.35. It finished at 87.30, up from 87.10 on Friday. Trading volume was brisk with over 25,000 lots traded in the March contract alone.

Sentiment was buoyed by the slowdown in consumer spending in December, but some investors remain cautious. UK retail prices for December are due on Friday while next week sees the release of UK trade figures for December. Neither is expected to provide much encouragement.

Long gilt futures opened on a firm note, moving up initially on a stronger pound and a sharp rise in US bonds late on Friday. The bullish tone received additional support from the retail sales data, and the March contract improved to 96-03 at the close compared with 95-24 at the opening and 95-15 on Friday.

US Treasury bond futures edged firmer in subdued trading with investor demand curtailed by the closure of some US centres for a public holiday. Prices remain underpinned by the release of December US retail sales last Friday. These rose by just 0.2 p.c. and suggest that the US Federal Reserve may hold off from tightening credit any further, at least for the time being.

LONDON (LIFFE)

CHICAGO

Estimated Volume 6572 (9733)
Previous day's open int. 13675 (12988)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7600	1.7539	1.7445	1.7326	1.7132

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7510	1.7534	1.7490	1.7568
Jun	1.7360	1.7380	1.7350	1.7418
Sep	1.7260	-	1.7250	1.7318

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 67,744
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates lower

LONGER-TERM interest rates adopted a softer tone in London yesterday after the release of lower than expected UK retail sales figures for December. A decline of 0.1 p.c. contrasted sharply with expectations of a 0.5 p.c. rise, and increased market hopes that high interest rates are succeeding in reducing consumer spending.

Three-month interbank money eased to 13⅛-13 p.c. from 13¼-13⅛ p.c. while the one-year rate fell to 12⅞-12¾ p.c. from 12$\frac{15}{16}$-12$\frac{13}{16}$ p.c. Despite the softer tone, there seems to be little chance of an early reduction in UK bank base rates as long as inflation continues to rise.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England forecast a shortage of around £550m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills which together with repayment of any late assistance drained £398m. Exchequer transactions drew a further £715m from the system and banks brought forward balances a nominal £5m below target. These were partly offset by a fall in the note circulation of £570m.

The Bank gave assistance in the morning through outright purchases of £126m of eligible bank bills; £33m in band 1, £87m in band 2, £1m in band 3 and £5m in band 4, all at unchanged rates.

The forecast was revised to a shortage of around £600m and the Bank gave additional assistance in the afternoon of £391m. This comprised outright purchases of £335m of eligible bank bills in band 1, £55m in band 2 and £1m in band 4, all at unchanged rates. Late help came to £120m, making a total of £637m.

Interest rates were slightly higher in Frankfurt but there are few expectations of a rise in key lending rates after a meeting of the Bundesbank central council this Thursday. The chances of an increase in the discount or Lombard rates received a blow after comments last week from Mr Gerhard Stoltenberg, the West German finance minister, which suggested that the authorities are in no rush to increase rates from current levels. Short term rates edged up ahead of a major tax deadline this month and call money was quoted at 5.05 p.c., up from 5.00 p.c. on Friday.

In Paris, the Bank of France left its money market intervention rates unchanged at yesterday's sale and repurchase tender. A total of FFr41.1bn was allocated, replacing maturities of FFr54.3bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.16) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	10½
Broker loan rate	10¼-½
Fed.funds	-
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.14	Three year	9.14
Two month	8.24	Four year	9.12
Three month	8.49	Five year	9.11
Six month	8.80	Seven year	9.10
One year	9.00	10-year	9.07
Two year	9.14	30-year	8.89

Jan.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.00-5.10	5.35-5.50	5.35-5.50	5.45-5.60	5.60-5.75	5.50
Paris	8⅜-8½	8⅜-8½	8⅜-8½	8⅞-8¾	8½-8⅝	7.25
Zurich	4⅞-4⅝	5¼-5⅛	-	5¼-5⅛	-	-
Amsterdam	5.87-6.00	5.83-5.93	-	5.93-6.03	-	-
Tokyo	3.78125	4.28125	-	4.53125	-	-
Milan	11½-11⅞	11¾-12¼	-	11¾-12¼	-	-
Brussels	5.00	7⅛-7⅞	-	7⅞-7⅝	-	-
Dublin	7⅛-7⅝	7¾-8	7⅞-8¼	8-8¼	8¼-8½	-

LONDON MONEY RATES

Jan.16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13¼	13¼	13⅛	13$\frac{3}{16}$	13⅛	12⅞
Interbank Bid	10	13	13	13	12⅞	12¾
Sterling CDs	-	-	13$\frac{1}{16}$	13⅛	12⅞	12¾
Local Authority Deps.	13⅛	13⅛	13$\frac{1}{16}$	12$\frac{15}{16}$	12$\frac{13}{16}$	12$\frac{11}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13	13	12¾	12¾	-	-
Company Deposits	-	-	13$\frac{1}{16}$	13$\frac{1}{16}$	-	-
Finance House Deposits	-	-	13$\frac{1}{16}$	13$\frac{1}{16}$	13$\frac{1}{16}$	12$\frac{15}{16}$
Treasury Bills (Buy)	-	-	12$\frac{15}{16}$	12⅝	13	12$\frac{15}{16}$
Bank Bills (Buy)	-	-	12⅝	12⅝	12$\frac{5}{8}$	-

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited.	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williams Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Bnkg Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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CROSSWORD

No.6,836 Set by DANTE

ACROSS
1 Relief from hammering (8)
5 Part of a village? (6)
9 Best man's bloomer, omitting end of speech (8)
10 A failure if returning as a company (6)
12 Bury in Milan? (5)
13 Girl returns with a troubled soul – how irregular (9)
14 Squirm, like a man after summons? (6)
16 A dancer on tour, perhaps (7)
19 Musician making a racket (7)
21 Nigel's one and only composition (6)
23 Tense, as all human beings are (9)
25 Thrash about the ring showing little craft (5)
26 Arms displayed in a hostile way? (6)
27 Such colourful designs are just a tissue of lies (4,4)
28 He won't stand for being portrayed (6)
29 In divorce town, five had a meal together to make amends (8)

DOWN
1 Kick into wind again (6)
2 Rendered first aid? (7)
3 Such a cut may be seen in a ring (5)
4 Togs are put into safe-keeping (7)
6 I'm in a race – go! (9)
7 Look about a ship of the line (5)
8 They keep supporters out of sight (8)
11 Swallow hastily in the bar (4)
15 Fair distribution of beer to all (9)
17 "Pacific Islands" is one play in production (9)
18 Continentals involved in fracas (8)
20 Rush animal from below (4)
21 The estate agent's lying (7)
22 Cut over a quarter? That's serious (6)
24 Colour an Irishman goes about in (5)
25 Contents of many an ancient vessel (5)

Solution to Puzzle No.6,835

JOTTER PAD

COMPANY NOTICE

Barings B.V.

US$ 150,000,000
Guaranteed Floating Rate Capital Notes due 2001

Payment of principal and interest guaranteed by
Barings plc

BARINGS

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 17, 1989 to July 17, 1989 the Notes will carry an interest rate of 9¾% p.a.

The interest payable on the relevant interest payment date, July 17, 1989 against coupon n°7 will be US$ 490.21 per Note of US$ 10,000.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

WORLD STOCK MARKETS

AUSTRIA

January 16	Sch	+ or –
Creditanstalt	2,030	–10
Goesser	3,080	–10
Interunfall	14,400	+60
Jungbunzlauer	9,320	+100
Laenderbank	372	+2
Perlmooser	650	–2
Reininghaus	900	+5
Semperit	185	+1
Steyr-Daimler	80	+1
Veitscher Mag	648	–6

BELGIUM/LUXEMBOURG

January 16	Frs.	+ or –
B.B.L.	3,375	+75
Bank Intl. a Lux	13,550	+50
Banque Gen. Du Lux	14,000	—
Banque Nat Belg	38,250	—
Bekaert B	13,950	–25
Ciment CBR	6,860	+50
Cobepa	5,620	+60
Do. AFV 1	5,590	+10
Do. AFV 2	5,690	+40
Cockerill	354	–3
Colruyt	11,725	–25
Delhaize	5,090	+40
EBES	4,710	–15
Do. AFV 1	4,670	+20
Do. AFV 2	4,695	+35
Fabrique Nat.	694	+12
GB Inno BM	1,402	+18
Do. AFV	1,400	+2
GBL (Brux)L	4,090	–30
Do. AFV 1	4,070	–30
Do. AFV 2	4,070	–30
Do. AFV 3	4,070	–30
Gechem	748	+48
Do. AFV	670	+10
Generale Bank	6,330	—
Do. AFV 1	6,500	–90
Do. AFV 2	6,930	—
Gevaert	8,310	+110
Hoboken	14,500	–150
Do. AFV	13,800	–525
Intercom	3,700	+10

FRANCE (continued)

January 16	Frs.	+ or –
Arjomari-Prioux	2,545	+5
Auxiliaire d'Ent.	965	–15
BIC	865	+8
BSN	711	+11
Bancaire Cie	573	+8
BNP (Cert.Inv.)	521	–1
Beghin-Say	595	–5
Do. Certs	400	—
Bongrain	3,141	+19
Bouygues	642	–8
Carnaud	637	+7
Carrefour	3,400	–25
Casino	213	+8
Cetelem	685	+4
Chargeurs	1,205	–15
Ciments Fr.	1,272	–6
Club Mediterranee	565	–9
Coflmeg	355	–1
Cogifi	347	+2
CGE	420.8	—
Comerer	359	—
Cred Foncier Fr	876	–6
Credit National	1,050	—
Damart	3,295	+15
Docks de France	2,920	+19
Dollfus-Mieg	521	+6
Dumez S.A.	851	+17
Eaux (Cie Gen)	1,608	–1
Ecco	1,774	–6
Electrofin're	915	+13
Elf-Aquitaine	413	—
Do. Certs	355	+6
Essilor	3,626	+6
Eternit (Fin.)	2,930	+60
Eurafrance	1,761	+11
Eurocom	1,410	—
Euromarche	2,687	+15
Exor	1,455	+15
Finextel	202	–4
Fonciere Lyons	477	—
Fromageries	1,795	–40
GTM-Entrepose	925	+25
Gaumont (Soc N)	700	+12
Gen Geophysique	640	+30
Gen Occidentale	875	+10

CANADA

TORONTO

2pm prices January 16

Sales	Stock	High	Low	Close	Chng
1200	CanamA f	$6¼	6⅛	6⅛	– ⅛
10400	Cantor	$27¾	27½	27½	
1000	Cameron A	$11⅞	11⅞	11⅞	+ ⅛
2300	Carena	$35	34¾	34¾	
1200	Cascades	$8¾	8⅝	8⅝	+ ⅛
27403	Celanese	$35½	34⅝	35	+5⅝
1725	Cen Capital	$11	10⅞	10⅞	– ⅛
12300	CenCap A	$8⅛	8	8	– ⅛
38250	CentFd A	$5⅝	5⅝	5⅝	– ⅛
300	Charan	236	235	235	+ 10
2141	Hayes D	$13¾	13	13	
533524	Hees Intl	$27½	26½	27½	+1⅛
44247	Hemlo	$11¼	11	11¼	
1800	Hollingr	$15	14⅞	14⅞	
43300	Horsham f	$7¾	7¼	7¼	– ⅛
100	H Baylin e	$9¾	9¾	9¾	
4300	H Bay Co	$26	25½	25½	– ⅛
25541	Imasco L	$29¾	29¼	29⅝	+ ⅛
61285	Imp Oil A	$54¾	54⅛	54⅝	
104792	Inco	$32¾	32½	32½	

INDICES

NEW YORK — DOW JONES

	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2226.07	2222.32	2206.43	2193.21	2226.07 (13/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.71	88.53	88.40	88.44	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	996.76	996.11	992.70	986.22	996.76 (13/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	188.54	188.95	188.95	187.41	190.02 (29/1/88)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2235.00 (2239.11) Low 2210.54 (2200.71)

STANDARD AND POOR'S	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	283.87	283.17	282.01	280.38	283.87 (13/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	328.81	327.99	326.29	324.33	328.81 (13/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.41	25.33	25.21	25.02	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	159.58	159.26	158.65	157.85	159.58 (13/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	315.93	315.00	313.86	312.95	315.93 (13/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	387.09	387.01	385.31	384.59	394.77 (18/7/88)	331.97 (12/1/88)	455.26 (26/8/87)	54.87 (31/10/72)

	Jan 6	Dec 30	Dec 23	year ago (approx.)
Dow Industrial Div. Yield	3.66	3.70	3.70	3.62

	Jan 11	Jan 5	Dec 28	year ago (approx.)
S & P Industrial div. yield	3.15	3.17	3.20	3.17
S & P Indl. P/E ratio	13.09	12.97	12.86	15.69

TRADING ACTIVITY † Volume (Millions)

	Jan 13	Jan 12	Jan 11
New York	132.320	183.000	148.950
Amex	11.400	12.413	9.200
OTC	122.865	135.428	115.766

NEW YORK	Jan 13	Jan 12	Jan 11
Issues Traded	1,969	1,977	1,939
Rises	843	899	802
Falls	594	569	603
Unchanged	532	509	534
New Highs	63	79	60
New Lows	9	8	11

CANADA

TORONTO	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low
Metals & Minerals	3412.3	3401.9	3381.0	3342.7	3412.3 (13/1/89)	2238.7 (8/2/88)
Composite	3492.4	3486.3	3468.5	3444.4	3492.4 (13/1/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1758.59	1756.07	1748.18	1735.87	1758.59 (13/1/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
SmithKline	2,514,300	52½	+ ½
RJR Nabisco	1,717,000	94¼	+ ⅛
Ford Motor	1,478,000	52⅞	—
Burlington	1,417,700	35¼	– ½
Masco	1,303,500	25¼	+ ⅛
Merck	1,220,800	60⅝	+ ½
Savin Bus	1,216,600	13/32	—
Usx	1,212,400	31⅛	+ ⅛
IBM	1,165,800	123⅞	+ ⅛
Chrysler	1,091,500	27⅛	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD						
M.S. Capital Intl. (1/1/70)	(u)	506.6	505.9	504.4	506.6 (16/1/89)	401.0 (21/1/88)

**Saturday Jan. 14: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

3pm prices January 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27⅞	16⅞	AAR	.44	1.7	17	221	25½	25	25½	+ ⅝
10⅛	8⅞	ACM n	1.01	11.		116	9⅛	9	9	− ⅛
12⅛	10⅛	ACMIn	1.26a	12.		346	10⅜	10⅜	10⅜	
10⅛	8½	ACM M	n.17e	1.9		146	9⅛	9	9	
12⅛	10⅞	ACM Sc	1.26	12.		673	10⅞	10⅝	10⅝	
10⅛	8½	ACMSp	n1.01e	11.		376	9⅛	9	9	− ⅛
6⅛	2⅞	AMCA	.12e	3.3		14	3⅝	3½	3½	− ⅛
6⅛	3⅝	AM Intl				1002	5⅛	4⅞	5	+ ⅛
23¼	18⅞	AM Int pf	2	9.0		144	22¼	22	22⅛	+ ⅛
65	32⅞	AMR			9	4673	55	54⅞	54⅞	+ ⅛
27	25	ANR pf	2.67	10.		5	25⅛	25	25⅛	+ ⅛
24⅞	20⅞	ANR pf	2.12	8.8		13	24⅛	24⅛	24⅛	+ ⅛
9½	5⅞	ARX			10	163	6	5⅞	5⅞	
46⅛	35⅛	ASA	3a	7.7		105	39	38⅞	38⅞	− ⅛
20⅛	12⅞	AVX	.24	1.4	72	202	18	17⅞	17⅞	− ⅛
52⅞	42⅞	AbtLab	1.20	2.5	15	2102	47½	47	47⅛	− ⅛
20⅛	16⅞	AbitibI g	1			44	16⅞	16⅛	16⅛	+ ⅛
13⅞	7½	AcmeC	.40	4.0		215	10⅛	10	10	+ ⅛
8⅞	5⅞	AcmeE	.32b	4.9	28	5	6½	6½	6½	+ ⅛
29½	16⅛	Acuson			22	433	23⅞	23⅜	23⅞	+ ⅛
17	14½	AdaEx	1.62e	12.		119	14⅛	14⅝	14⅞	+ ⅛
16⅞	7⅞	AMD			16	3065	8⅞	8⅝	8⅝	− ⅛
49½	28⅛	AMD pf	3	9.3		4	32⅛	32⅛	32⅛	
8½	5½	Adobe				30	6⅞	6⅛	6⅛	− ⅛
19½	16⅛	Adob pf	1.84	11.		4	17⅛	17⅛	17⅛	+ ⅛
9⅛	5⅞	Advest	.12	1.6	24	59	7⅞	7⅝	7⅞	
52½	38½	AetnLf	2.76	5.7	6	706	48⅝	48⅛	48⅛	− ⅛
37⅞	24	AflPb s	.22	.6		112	36⅛	35⅛	36⅛	+ ⅛
18⅞	13⅛	Ahmans	.88	5.2	10	311	17	16⅞	16⅞	− ⅛
53⅞	38½	AirPrd	1.20	2.7	11	1584	44⅞	44½	44⅞	+ ⅛
23⅝	12⅛	AirbFrt	.60	2.6	23	247	22⅞	22½	22⅞	+ ⅝
15⅞	10	Airgas			16	140	u17	16⅛	17	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18½	9½	Reebok	.30	2.6	8	2907	11⅝	11½	11½	− ⅛
12⅞	9½	Reece	.15e	1.3	17	2	11⅝	11⅝	11⅝	
15-16	¼	Regal				7	¼	¼	¼	
6¼	6⅛	RegIFn	.24e	3.8		188	6⅜	6¼	6⅜	
16⅝	12⅞	ReichTg	1.78	13.	8	5	13⅝	13½	13½	
7½	4¼	RelGrp	.32	7.1	6	114	4⅝	4½	4½	
6⅞	4¼	RepGyp	.20	4.5	22	114	4½	4⅜	4⅜	− ⅛
48¼	39½	RepNY	1.20	2.8	11	84	43⅝	43½	43⅝	+ ⅛
53	43	RNY pfB3.78e	8.6			150	44½	44	44	− ⅜
24⅞	14½	Rexene	n.30e	1.3		135	22¼	22	22¼	
58½	34	ReyMtl	1	1.8	7	1324	57¼	56⅝	56⅝	− ⅜
40⅞	29¼	RiteAid	.82	2.6	14	690	32⅛	32	32	
1	5-16	RvrOak				17	11-32	11-32	11-32	− 1-32
16½	8⅝	Robtsn				80	9⅛	9⅛	9⅛	
27	21⅞	vjRobins			14	10	25⅞	25⅞	25⅞	
18¼	15¼	RochG	1.60	9.5	11	321	17⅝	17⅝	17⅝	+ ⅛
54¼	41	RochTl	2.84	5.3	14	165	53⅞	53½	53½	+ ¼
15¾	7½	Rckwy	.36	2.4	18	76	15⅛	15⅛	15⅛	
20⅜	18⅛	RckCtr	1.84	9.6	14	241	19⅛	19⅛	19⅛	
23½	16⅜	Rockwl	.72	3.3	7	1011	21⅝	21⅝	21⅝	− ⅛
37½	29½	RoHaas	1.12	3.2	11	209	35⅛	35¼	35½	− ¼
33½	18⅜	Rohr			16	1428	31¼	30⅞	30½	+ ½
19⅝	9	RollnE	n.08	.7	20	1012	10⅞	10¼	10¼	− ⅛
19¼	14¼	Rollins	.52	2.8	17	75	18¼	18	18¼	+ ⅛
48¼	27¼	Rorer s	.80	1.9	24	888	42½	41⅞	41⅞	+ ⅛
8⅝	4⅛	Rowan				2567	6⅛	6¼	6⅜	+ ¼
124¼	104⅞	RoylD	7.24e	6.2	7	1413	117⅛	116⅛	116⅞	− ⅜
13½	8⅝	Roylnt	.18a	1.5	13	71	11⅞	10⅞	12	+ ⅛
8⅞	6⅜	Royce	.51e	6.0		103	8⅝	8⅜	8½	− ⅛
27	21	Rubmd	.44	1.7	20	1284	26	25⅞	25⅞	
28⅛	17⅞	RussBr	.40	2.1	8	100	19	18⅞	19	+ ⅛
18⅞	12¼	RussTg	.60	4.6	21	44	13⅛	13	13⅛	+ ⅛

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38⅝	24⅜	XTRA	.72	2.0	14	40	35⅝	35⅜	35½	+ ⅛
28⅞	23⅛	XTRA pf1.94		7.1		10	28	27⅛	27½	− ½
3⅞	2	Zapata				4634	2⅞	2⅛	2⅛	+ ⅛
27⅛	14½	Zayre	.40	1.6	154	1247	24⅝	24½	24⅝	
30	13½	ZenithE				2296	20⅜	19⅞	20¼	+ ⅜
10⅛	8⅞	Zenin n	.58e	6.1		47	9⅝	9½	9⅝	+ ⅛
3⅛	1	vjZenLb				61	1⅝	1½	1½	
21⅝	15	ZenNtl	.80b	4.7	8	24	17¼	17⅛	17⅛	− ⅛
18½	13	Zero	.44	2.5	15	37	17⅞	17⅝	17⅝	− ⅜
29	19	Zurmin	.68	2.5	18	49	27½	27⅜	27⅜	− ½
11⅛	9⅛	Zweig	1.05e	10.		432	10⅜	10⅛	10⅛	
10⅛	9	ZweigT	n.15e	1.7		481	9⅜	9⅛	9⅜	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prism			23	3⅝	3⅝	3⅝	
ProtCre		10	181	2⅛	2½	2⅛	+ ⅛
— R-R —							
RAC n	1.23e		325	7⅛	6⅞	7⅛	+ ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 16

FINANCIAL TIMES
Tuesday January 17 1989

AMERICA

Dearth of economic news leaves Dow little changed

Wall Street

THE COMBINED forces of a semi-holiday in honour of the black civil rights leader Martin Luther King and a dearth of economic news resulted in a dull day on Wall Street, *writes Karen Zagor in New York.*

The market is looking to the release of a string of economic reports this week, starting with today's November business inventory data.

More important from a market standpoint will be Wednesday's release of the November trade deficit which is expected to have grown again after declining marginally during the previous two months.

At 2pm, the Dow Jones Industrial Average was off 1.61 at 2,224.46. Volume was low with 81m shares traded by early afternoon. The number of advancing and declining issues was virtually equal.

The New York bond market was closed for the day. In London the US Treasury's benchmark 30-year long bond traded at 101¼, up 1/32 of a point, to yield 8.872 per cent.

The Chicago futures pits were open, however, and bond futures rose fractionally.

The dollar provided the only note of excitement to the day. In the early afternoon trading the US currency stood at about Y128.25 and DM1.8585 continuing its new year's rebound. It was trading at Y127.30 and DM1.8445 late Friday. If the dollar maintains this level of strength, some market analysts are wondering if the Fed may have to ease short-term rates to check its rise.

Texas Eastern, the natural gas and petrol market distributor, leapt $13¾ to $44, a rise of over 44.5 per cent and well above the company's 1988 high of $34½. The rally came on the heels of an announcement of a $42 a share tender offer to be launched today by a unit of Coastal.

At mid-day Texas Eastern was the most active stock on the New York Stock Exchange with more than 5.6m traded by early afternoon. Coastal dropped $⅞ to $34 following the news.

Among blue chip issues, IBM jumped $1⅞ to $124⅞ on the expectation that there will be a strong improvement in the company's fourth quarter earnings which are due to be released on Wednesday.

AT&T stock was unaffected by reports that it intends to join a consortium to bid for control of GEC of the UK. Shares in the US telecommunications company were trading at $29½ on the New York Stock Exchange, unchanged from Friday's close.

The release of a series of sharply higher fourth quarter results from banks had little effect. Chase Manhattan rose modestly by $⅛ to $30⅝. It reported net income of $275m or $2.93 a share up from $154m or $1.66. Shares in Manufacturers Hanover fell by $⅛ to $29⅝. The bank posted net income of $224m up from $23m last year.

American Medical International, the Beverly Hills-based hospital management company, rose $⅛ to $16¼ in spite of yesterday's report that the company's first quarter earnings were down to $440,000 or 1 cent a share from $22,404,000 or 27 cents a share for the same period last year.

Apple Computers, the large personal computer company, rose $⅝ to $43⅝ following the news that a unit of the company had released an updated version of the popular Macintosh drawing tool.

Canada

EARLY GAINS were not given up by Toronto stocks which continued to rise in light mid-session trading. The financial sector, banks and industrials rose on indications that interest rates will hold steady.

The composite index rose 9.90 to 3,502.30 as gains just beat losses 276 to 251 on volume of 12.2m.

Financial services company, Hees International was the most active stock active, up C$⅛ at C$27⅛.

Celanese Canada jumped C$5¼ to C$35¼ as Hoechst Celanese made a C$35 per share bid for the 44 per cent of Celanese Canada that it does not already own.

Revision of FAZ index engenders confusion

THE revision of the FAZ index of 100 leading German equities at the beginning of this year involved the removal of 24 out dated constituents to make room for a like number of newcomers. Unfortunately, some people misunderstood the move to mean a great deal more, *writes Haig Simonian.*

A table in the newspaper Frankfurter Allgemeine Zeitung on December 31 gave, for the first time ever, a list of the constituents of the revised index expressed as a percentage of the whole index purely on the basis of market capitalisation.

Rather than implying a revised method of calculation for the index in future, the table was simply published to allow German readers, receiving their annual year-end securities statements from their banks which commonly show the market value of their equity holdings at year-end, to compare their portfolios with a one-off FAZ index calculated the same way.

A number of institutions in London appear to have taken the change to mean a great deal more, leading to descriptions of the figures as new "weightings" in a radically-revised index. Comparing the results of the two different methods certainly leads to some very sharp adjustments in certain sectors. Insurance in particular appears to leap up to 12.68 per cent of the "new" index rather than 2.98 per cent as before.

In fact, the method of calculation of the FAZ index remains the same, although there have naturally been some small adjustments in weightings to allow for the change in shares listed.

As a result, the weighting for the insurance sector has risen only to 3.77 per cent of the revised index from the previous 2.93 per cent. Allianz's share becomes 1.74 per cent while Munich Re comes in for the first time at 1.34 per cent.

Likewise the size of the change in other sectors is appreciably less marked than first thought in some quarters. Utilities have slipped to 10.97 per cent of the index from 11.76 per cent following the revision, while steels fall to 7.43 per cent from 8.28 per cent formerly. Likewise the share of the big three chemicals groups is actually down only to 20.93 per cent from 21.23 per cent before.

Among the other organisational changes are the division of some sectors into two, balanced by the disappearance of certain other sub-categories, such as mortgage banks.

A simplified list of the new weightings can be found in the FAZ newspaper of January 6 and a full breakdown of all 100 shares in its specialist publication Blick durch die Wirtschaft, published on the same day.

Frankfurt in three-cornered fight

Haig Simonian finds good fundamentals might not be everything

THREE QUESTIONS face international fund managers contemplating the West German market this week. Should they carry on investing, switch to second or third-line stocks, or give the market a miss in view of the impressive rally already staged this year.

The FAZ index hit a new post-crash high of 567.51 on January 5, and closed yesterday at 560.60, down 4.52 on the day in thin trade. Undaunted by some confusion abroad over the revisions to the FAZ at the start of this year, many analysts in Frankfurt think 600 is already in sight and a peak of 630 to 650 is likely after a short consolidation.

Each of the three strategies has its proponents. But for once, supporters of each are united in pointing to a happy conjunction between economic fundamentals and investors' perceptions of many German companies which have buttressed the rise in values in recent weeks.

The fundamentals make an appetising cocktail: inflation will go up in 1989, but only to about 2-3 per cent, which is high by German standards but peanuts to everyone else.

Economic growth, which confounded all early expectations this time last year to reach 3.4 per cent for 1988 as a whole, will slow to a maximum of about 2.5 per cent in 1989, but that is hardly enough of a downturn to give the market a serious chill.

Meanwhile, interest rates seem likely to stay steady for some months, while the prospect for corporate earnings remains favourable.

Mr Alex Dehmel of Smith New Court expects corporate earnings to rise by 6 per cent this year – given a backlog of orders from 1988 and order levels performing satisfactorily – with a similar figure due in 1990 thanks to the boost provided by the country's tax reform. Add to that the recent strength of the dollar, with the US currency topping DM1.85 yesterday, and it should be plain sailing.

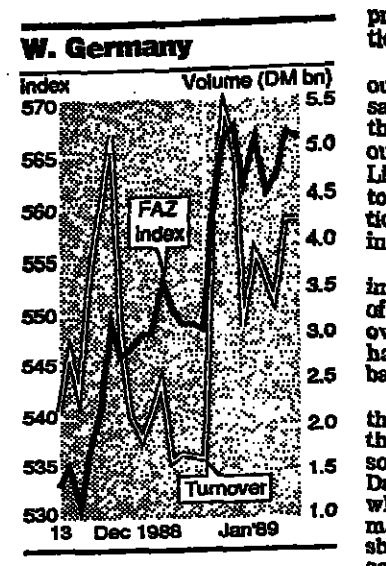
But are leading German shares already too expensive? The 2.5 per cent rise in the market in the first week of 1989 persuaded some analysts to counsel a switch to less-familiar names in order to find pockets of value beyond the glare of the blue chips.

"After the surge in engineering companies, it's hard for someone to justify buying Mannesmann at DM208 when they didn't come on board at DM120 before last year's rush," notes one salesman.

Thus Mr Thomas Holmes of Schröder, Münchmeyer, Hengst recommends a move into "special situations." In Germany's no-takeover world, that can only mean looking out for shares which have underperformed in the latest rush.

Utilities, breweries, paper makers and some retailers are among those which fit the bill for many analysts.

Each sector has its own story. Mr Heinrich Ackermann, of Bank in Liechtenstein, favours utilities and paper.



It is "a matter of hidden reserves" at RWE, he says, while prospects at Veba stem from "the late discovery that it is involved in chemicals."

Meanwhile, paper manufacturers like PWA and Zanders have potential based on a tentative 1992 strategy involving rationalisations and cross-border links, he argues.

Breweries are also being widely recommended in view of their distribution channels and property portfolios. The latter, according to Deutsche Genossenschaftsbank, is also proving attractive as an inflation hedge.

Are blue chips completely out in the circumstances? No, says Mr Dehmel, especially if the flow of information turns out to be better than expected. Likewise, Mr Holmes continues to favour Thyssen in expectation of a further sharp earnings increase this year.

With the market concentrating on the positive side, some of the possible negative factors overhanging German shares have been pushed into the background.

Prominent among them is the likely flow of rights issues this year. Capital raising by some of the big banks and Daimler are widely expected, while some engineering groups may well also turn to their shareholders for funds to boost acquisitions.

Siemens' role in bidding jointly for Plessey in the UK has played a surprising part in stimulating interest in its shares. But the lack of similar corporate activity by other German groups may make the market look dull compared with European counterparts for some investors.

Lastly, there remains the prospect of a hard landing for the US and UK economies. Strong economic growth in both markets has come as a substantial boost for many German exporters. They could find it difficult to make up for a sudden decline in orders from the two markets if growth dries up more quickly than expected.

ASIA PACIFIC

Consolidation sets in after recent strength

CONSOLIDATION took hold in Hong Kong and Australia yesterday, although the former still managed to gain ground. Singapore meanwhile kept climbing towards its post-crash peak, while Tokyo was closed for a national holiday.

In London, the ISE/Nikkei 50 index, which tracks the performance of 50 leading Japanese stocks, added 4.46 to 2,011.88.

HONG KONG ended off the best as it continued to consolidate last week's strong gains. The Hang Seng index closed up 12.69 at 2,856.67 after reaching a high of 2,878.53 at midday.

Turnover reached HK$963m in value, against HK$1.4bn on Friday, with Hongkong Land and Hongkong Bank leading the actives list. The former rose 5 cents to HK$9.70, the latter was steady at HK$6.75.

In the property sector, Henderson Land gained 5 cents to HK$5.85, Jardine Matheson Holdings put on 20 cents to HK$18.30 and Sun Hung Kai Properties found 10 cents to HK$13.60. Swire Pacific A added 40 cents to HK$20.10.

SINGAPORE continued higher in healthy volumes, edging back towards its post-crash high. The Straits Times added 8.72 to 1,107.91, compared with its post-crash peak of 1,177.

Rises led falls by two to one and turnover rose to 57.2m shares, worth S$81m, from 56.7m shares on Friday.

Acma firmed 25 cents to S$1.43, Inchcape rose 20 cents to S$5.45, Genting added 15 cents to S$6.05 and Singapore Land climbed 15 cents to S$8.05.

AUSTRALIA was weakened by lower metal and futures prices and by expectations of poor current account figures for last month, due for release tomorrow, along with the US trade data, also due tomorrow.

Volumes were thin in most sectors, restricted in part by the closure of the Tokyo market. The All Ordinaries index lost 5.9 to 1,512.0. Turnover was light, with 71m shares worth A$126m changing hands.

Among mining stocks, Western Mining lost 12 cents to A$5.02 and Broken Hill Metals fell 10 cents to A$1.50. CRA gained 4 cents to A$8.32 and MIM added 4 cents to A$1.77.

In banks, ANZ lost 2 cents to A$5.40, National Australia dropped 6 cents to A$6.44 and Westpac also fell 6 cents to A$5.44.

TAIWAN lost ground in its heaviest turnover this year in a volatile session. The weighted index fell 140.64 to 5,922.91.

EUROPE

Pace livens up in buoyant Mediterranean bourses

ITALY and Spain were the most active playing fields in Europe yesterday, while larger bourses were attended, with Paris hit by a strike, *writes Our Markets Staff.*

MILAN surged ahead on the first day of the new monthly trading account, with the Comit index ending 11.15, or 1.86 per cent, higher at 611.56 in heavy trading. Volume was estimated to be similar to Friday's unexpectedly active level of just under L300bn.

With settlement four weeks away, much of the rise was technical. But there was also relief that the political crisis threatened last week had been defused, and confidence that things would be calm before the party congress season starts at the end of the month.

Savings shares were particularly in demand, with Montedison ordinary rising L63 to L2,169 and the savings share jumping L124, or 11.6 per cent, to L1,195. Montedison denied press speculation that it was planning a bonus issue.

Engineer Danieli saw its savings shares climb L280, or nearly 8 per cent, to L3,860.

There was press comment over the weekend about how strongly savings shares had performed during the last account, and suggestions that switching to savings shares out of ordinary shares, which have to be registered, might be a way to get round a mooted capital gains tax.

Against the trend, insurer La Fondiaria lost L400 to L74,000.

Quotation of six Italian stocks on London's Seaq International got off to a quiet start.

MADRID opened the week in the same fashion as it finished last week – on a strong note – with investors optimistic about the Government's firm stance against the unions' wage claims.

The general index added 2.94 to 283.27. Banco Popular, announcing a 29 per cent jump in annual profits, climbed by 19 percentage points to 1,780 per cent of nominal market value.

PARIS was hit by the bourse employees' strike which stopped trading in the options market and the 13 leading stocks which comprise it. Volume dropped to about FFr1bn and shares made slight gains.

The strike also curtailed trading on the cash and second markets, leaving only the continuous market operating. The CAC General index lost 1.6 to 439.7, while the OMF 50 index rose 0.45 to 458.05. News that domestic inflation rose by an annual rate of 3.1 per cent last month was in line with expectations.

Speculation was again behind some of the most active stocks and the larger moves of the day. Raffinage, controlled by Total, jumped by almost 16 per cent, up FFr12.80 to FFr93.80. There was no particular news, but the stock has been speculative for a while, with some talk that Total might take full control, one dealer said. Total rose FFr9.10 to FFr431.10.

LVMH finished FFr42 lower at FFr3,628 with 60,450 shares traded, after reaching FFr3,698 during the session.

FRANKFURT had what one salesman described as "an extremely boring day" with volume down to DM3bn worth of domestic shares and the indices losing ground amid continued fears that the dollar's strength would signal higher domestic interest rates.

The FAZ fell 4.52 to 560.60 and the DAX lost 9.14 to 1,344.11. Volume seemed to be going out of the market, with investors looking to more exciting playgrounds elsewhere, such as Italy and Spain, said the salesman.

Car stock Daimler fell DM5.50 to DM729 after a DM12.50 drop on Friday, despite denying rumours about foreign exchange losses.

AMSTERDAM was also fairly quiet, ending mixed amid profit-taking following a weaker start on Wall Street. The CBS tendency index closed just 0.1 higher at 162.2.

Royal Dutch remained strong before tomorrow's two-for-one stock split. It rose Fl 2.40 to Fl 243.90, buoyed by the stronger dollar. Océ van der Grinten fell Fl 6 to Fl 294 after rising Fl 13 on Friday

ZURICH was subdued, although investor optimism appeared unabated, and the Crédit Suisse index ended 1.4 higher at 542.6.

Nestlé, which indicated during its US roadshow last week that its participation certificates are unlikely to remain in existence for much longer, saw them climb SFr20 to SFr1,390, while its bearers lost SFr20 to SFr7,430.

Adia, the employment group, continued to benefit from Blue Arrow's misfortunes, with its registered stock putting on SFr100 to SFr4,600 and its bearers adding SFr25 to SFr9,000.

BRUSSELS lacked direction in a very thin day's trading as investors paused for breath after the recent strong rises. The cash market index rose 11.68 to 5,720.68.

SOUTH AFRICA

A WEAKER bullion price and a steady financial rand put pressure on gold shares which pulled Johannesburg lower in dull trading.

Vaal Reefs fell R3 to R368 while Freegold eased 50 cents to R29. In platinums Rustenburg dropped R1 to R47 but De Beers bucked the trend with a gain of 15 cents to R44.90.

The continued strength of the dollar was behind the drop in bullion, which saw quiet trading in Europe. In Zurich, gold closed at $401.50 an ounce, a drop of $4.50 from the close on Friday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 13 1989					THURSDAY JANUARY 12 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	150.07	+1.2	125.00	114.89	4.67	148.22	123.15	114.01	152.31	91.16	97.71
Austria (18)	93.71	–1.0	78.05	89.42	2.75	94.63	78.62	89.44	100.00	83.72	90.54
Belgium (63)	134.30	+0.1	111.86	127.68	3.93	134.22	111.51	127.10	139.89	99.14	99.14
Canada (126)	129.88	–0.2	108.18	112.76	3.23	130.12	108.10	112.73	130.12	107.06	111.67
Denmark (39)	157.20	–0.1	130.93	151.48	2.00	157.40	130.77	151.29	161.60	111.42	111.42
Finland (26)	126.03	–0.9	104.97	112.17	1.56	127.24	105.71	112.82	139.83	106.78	106.78
France (131)	116.87	–0.3	97.34	114.48	2.82	117.19	97.36	114.48	117.51	72.77	81.47
West Germany (102)	87.57	–0.5	72.94	83.41	2.26	88.04	73.15	83.56	90.40	67.78	68.80
Hong Kong (46)	117.94	–1.1	98.24	118.19	4.18	119.28	99.10	119.53	119.29	84.90	92.61
Ireland (18)	128.10	+0.9	106.70	123.59	4.08	126.94	105.47	122.14	144.25	104.60	111.31
Italy (98)	83.97	+0.2	69.94	84.35	2.39	83.80	69.62	83.99	86.88	62.99	72.82
Japan (456)	197.43	+0.1	164.44	158.06	0.47	197.18	163.82	157.23	197.43	133.61	137.36
Malaysia (36)	150.86	+0.3	125.65	158.18	2.69	150.45	124.99	157.66	154.17	107.83	115.08
Mexico (13)	160.09	+2.5	133.34	400.30	1.28	156.12	129.70	390.88	182.24	90.07	93.09
Netherland (38)	113.34	+0.6	94.40	106.97	4.61	112.64	93.58	105.90	113.49	95.23	98.06
New Zealand (25)	71.31	+1.1	59.39	59.89	6.54	70.55	58.61	59.69	84.05	63.32	74.64
Norway (26)	153.59	+0.3	127.93	138.79	1.96	153.07	127.17	138.00	153.59	98.55	103.00
Singapore (26)	134.03	–0.2	111.64	119.89	2.22	134.31	111.59	120.14	135.89	97.99	101.50
South Africa (60)	120.20	+0.4	100.11	103.24	4.48	119.71	99.46	103.63	139.07	98.26	131.65
Spain (42)	148.16	+0.1	123.40	128.80	3.17	148.06	123.01	128.31	164.47	130.73	130.73
Sweden (35)	146.97	+0.1	122.41	136.14	2.10	146.75	121.92	135.62	146.97	96.92	96.92
Switzerland (57)	78.61	+0.0	65.48	76.10	2.23	78.65	65.34	75.87	86.75	74.13	76.22
United Kingdom (315)	138.20	+0.4	115.11	115.11	4.70	137.68	114.39	114.39	141.51	120.66	130.68
USA (571)	115.50	+0.2	96.20	115.50	3.61	115.33	95.82	115.33	115.55	99.19	102.78
Europe (1008)	115.76	+0.1	96.41	103.95	3.63	115.63	96.07	103.54	116.61	97.01	100.33
Nordic (126)	141.55	+0.0	117.90	127.96	2.00	141.61	117.65	127.69	–	–	–
Pacific Basin (679)	192.26	+0.1	160.13	154.57	0.69	191.98	159.50	153.80	192.26	130.81	134.05
Euro–Pacific (1687)	161.61	+0.1	134.61	134.54	1.54	161.40	134.09	133.90	161.61	120.36	120.60
North America (697)	116.27	+0.1	96.85	115.37	3.59	116.13	96.48	115.20	116.27	99.78	103.25
Europe Ex. UK (693)	101.57	–0.1	84.60	97.26	2.80	101.68	84.48	97.05	102.91	80.27	81.54
Pacific Ex. Japan (223)	130.38	+0.4	108.60	110.53	4.43	129.85	107.89	110.42	130.38	87.51	94.14
World Ex. US (1886)	160.10	+0.1	133.35	133.63	1.61	159.89	132.84	133.03	160.10	120.26	120.40
World Ex. UK (2142)	143.47	+0.1	119.50	128.82	1.97	143.31	119.07	128.39	143.47	111.77	111.88
World Ex. So. Af. (2397)	143.13	+0.1	119.21	127.67	2.19	142.94	118.75	127.20	143.13	113.26	113.43
World Ex. Japan (2001)	116.76	+0.1	97.25	111.30	3.65	116.60	96.87	111.04	116.76	100.00	102.16
The World Index (2457)	142.98	+0.1	119.09	127.51	2.21	142.79	118.63	127.04	142.98	113.37	113.55

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.